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EIGHTH
ANNUAL REPORT

of the

Unemployment
Compensation Commission
of
Montana



1944

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GEORGE R. SHEPARD

Commissioner George R. Shepard died September 18, 1944, from injuries incurred in an automobile accident.

He was appointed as employer representative on the Commission May 16, 1937, by Governor Roy E. Ayers. His services during the formative period of the Commission and in subsequent years were invaluable. He was a veteran of World War I, a graduate of the State University, a former member of the State Legislature, and was attorney for a large employer. He served the Commission only part time on a per diem basis.

By his thorough knowledge of the State, his wide acquaintance, his long experience in business, his professional ability, and his broad understanding of social and economic problems, he was particularly equipped to serve his State as a member of this Commission. In spite of the heavy demands on his time by his business and profession, he never failed in his interest and duties as Commissioner.

Always ready and willing to express his own well considered opinions and advice, he, nevertheless, gave serious consideration to opposing views and loyally accepted and followed final decisions. The Commission and the State have sustained a great loss in the passing of this eminent citizen, George R. Shepard.

BARCLAY CRAIGHEAD
Chairman

***GEORGE R. SHEPARD**
Commissioner

LOUIS G. DeNAYER
Commissioner

Unemployment Compensation Commission of Montana

HELENA

December 15, 1944

Governor Sam C. Ford
Capitol Building
Helena, Montana

Dear Governor Ford:

We have the honor of submitting the Eighth Annual Report of the Unemployment Compensation Commission of Montana.

The statistical tables, as has been customary with previous reports, are accurate to the end of the fiscal year, June 30, 1944, with estimates of collections and disbursements beyond December 1st of this year.

During the five completed years of benefit payments covered by this report, 53,000 different individuals have profited (or more than one-half of the industrial labor force in Montana) in amounts varying from \$5 to \$1,200 for a total of \$7,883,000.

Tax collections have been made for nearly eight years, totaling about \$24,000,000 including \$1,186,000 refunded to the Railroad Retirement Board.

Significant developments during the year included the selection of this Commission to meet unemployment compensation payments made to members of the armed services upon their return.

Approximately 60,000 Montana men and women have been, or will be, inducted into the armed services during this war. Of this number, some 5,600 have been discharged to this date. Unemployment compensation benefit payments made to veterans, although extremely small, are on this date approximately as large as benefit payments made to all civilians.

We believe the utilization of the unemployment compensation commissions to meet such payments constitutes an outstanding example of what can be done with state and federal coopera-

tion for general governmental efficiency. We were able to absorb this additional work with practically no additional expense because it dovetails precisely with our present program. Our entire annual budget request made to the Veterans Administration was for only \$4,900. We think it apparent, had a separate federal agency been established for this purpose, the costs would have been at least ten times as large. We are also happy to report that compensation checks are going out, due to the cooperation of the other state authorities, within twenty-four hours after the receipt of proper claims. There has been no delay; red tape is reduced to a minimum.

We believe at this session of the Legislature our Montana lawmakers will be called upon to decide whether or not they desire to turn over the entire social security program to the management of federal authorities. If the State of Montana declines to accept its responsibilities for the expansion of social security, we are of the opinion the entire program ultimately will become federal.

Montana legislators in the past have been prudent and wise in building cash reserves for social security. The reserves of the Unemployment Compensation Commission on December 1, 1944, totaled \$15,500,000 including \$1,023,000 interest received.

We believe the time to extend the program has arrived, and we recommend for your consideration the establishment of a system of temporary disability insurance, and the expansion of unemployment compensation as to coverage, benefit schedules, duration, and eligibility.

Respectfully submitted,

Bessie Rayhead
Chairman.

L. G. DeNayer
Commissioner.

*Died September 18, 1944

LEGISLATIVE RECOMMENDATIONS

The American people in six successive elections have proved they favor the extension of social security.

The platforms of all major parties in the last election promised expansion of social security.

Both major presidential candidates specifically pledged a broadened social security program.

Both of the great parties in Montana endorsed their national platforms.

There seems, then, to be little doubt that the social security program in America will be expanded. During the last and the present sessions of the National Congress some seventy-five bills affecting the social security program have been introduced.

The primary questions left are not whether the program ultimately will be expanded but how rapidly and whether under state and local or federal authorities; whether the program will be first widened at the base to include more people or benefits increased for the organized minority, now partially protected.

This Commission sincerely believes that the State of Montana is willing to accept its responsibilities with reference to sensible social security. It also fears, unless the State shortly does so, the entire program ultimately will be federalized. The present Legislative Session may hold in its hands the last opportunity to retain state control.

Two Sound Principles Followed in Considerations

In considering expansion of social security, this Commission has followed what, we think, are two sound principles.

First, we believe for a successful permanent program there must be some local participation in management. We feel that this country is too large and its resources too varied for a program affecting the lives of millions of individuals to be properly administered from one eastern city, and that city located on the Atlantic Seaboard.

Secondly, we feel for the program to become permanent, a system of ear-marked taxes set aside for specific purposes must accompany definite benefits. We do not feel that any system using bond issues to meet benefit schedules can be permanently successful or in the long run to the interest of the great mass

of the people. We think, also, more important than increasing benefits is extension of the protection upon a minimum basis to larger numbers of people.

The Montana Legislature, in guiding the unemployment compensation program in this State, has been prudent and conservative. The Commission has been in existence for nearly eight years. Prior to the payment of any benefits, collections were made for two and a half years, and the system started on July 1, 1939, with cash reserves of \$5,151,000. Immediately prior to the payment of benefits in Montana, the Legislature tremendously liberalized the benefit schedules, especially with reference to eligibility, and greatly increased weekly benefit amounts. During the first two years, benefit payments approximately equaled tax collections, and the Legislature, with an uncertain future in prospect, wisely declined to further liberalize. During the following three years, however, largely due to the war, cash reserves increased until at present \$15,500,000 in cash reserves is available. In addition, the National Congress has underwritten all state unemployment compensation laws as to solvency. Existing national laws now provide that in the event of benefit payments exceeding collections for any particular year, the federal government will advance to state unemployment compensation commissions, as a loan without interest and without such advances becoming a general state obligation (only the obligation of the commissions) such sums as may be necessary. With such a guarantee the necessity of large cash reserves is, in part, eliminated. Since the beginning of benefit payments in Montana, the cost of living has rapidly increased with no compensating changes in benefit schedules.

Reserves Strengthened By Veterans' Legislation

In addition, the federal government has strengthened state unemployment compensation reserves by assuming all, or nearly all, responsibility as to costs for unemployment compensation to returning veterans. Montana has, or shortly will have, approximately 60,000 men and women in the armed services. Under federal law, administered by this Commission, all veterans upon their return will, if they are unable to find employment, be entitled to unemployment compensation of \$20 each week (without waiting periods) for not to exceed fifty-two weeks, (sickness being no bar to compensation if incurred after filing a claim for benefits). The federal law includes the self-employed and guarantees them minimum earnings of \$100 per month.

It thus appears that the present is the most favorable opportunity likely to be offered to the State of Montana to expand its social security systems, having due regard to the questions of need, apparent during the reconversion period following the war, and the questions of solvency and adequacy of tax collections essential to permanency in such a program. Acting upon

this belief, this Commission submits, for the consideration of the Governor and the lawmakers, an expanded program to include a mild cash temporary disability allowance; increased coverage; increased weekly benefit amounts; and increased duration.

We believe if such a program is adopted, revenues in this State will be sufficiently large to meet benefits, and the Commission will remain solvent without taking advantage of the borrowing powers extended by the federal government, and a genuine first-line of defense in the event of a temporary or prolonged depression will have been set up for Montana, guaranteeing at least a breathing spell for workers lasting eight or nine months, and a cushion for business that will allow future adjustments to meet future needs. The suggestions are explained somewhat briefly below, and discussed more fully in the various sections of this report.

COVERAGE

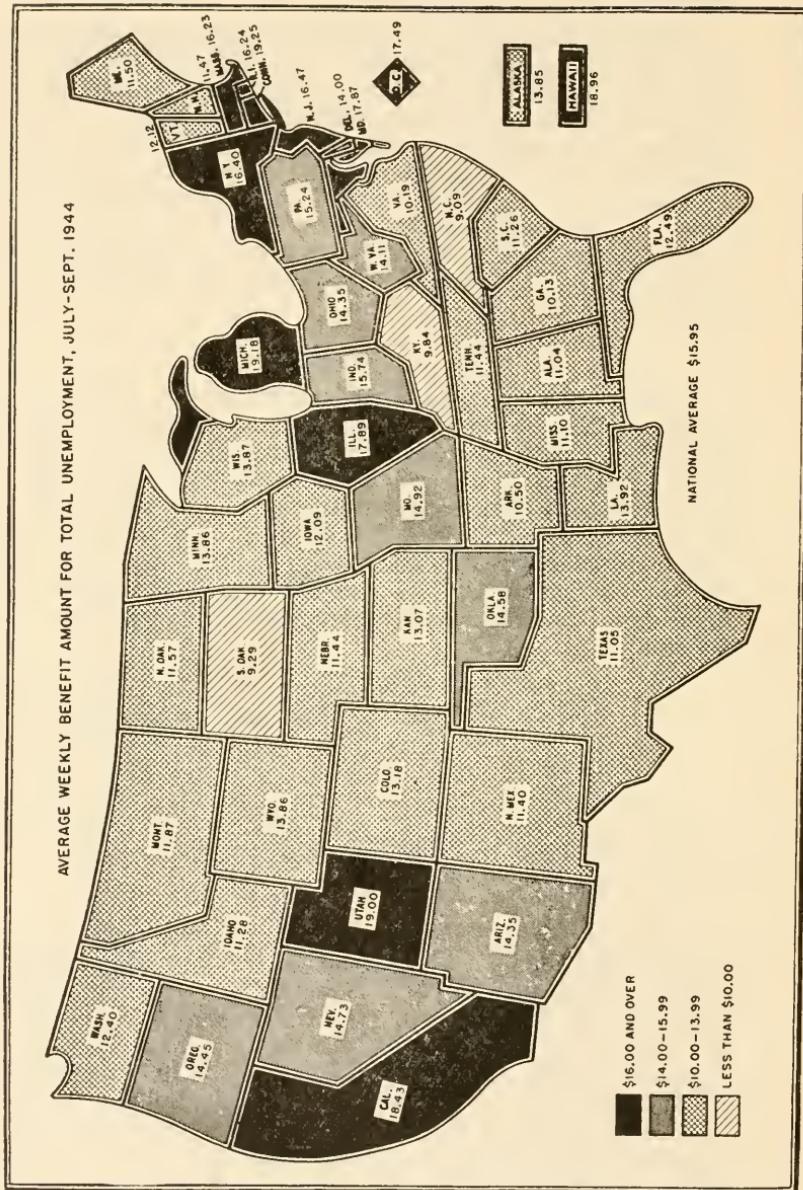
Effective the first quarter of 1945, Montana will be the first state in the Union to relieve completely employers within the state of the necessity of making detailed quarterly reports upon each individual wage earner. In this small State, this change will mean, under the individual wage reporting system, the elimination of some 400,000 separate reports each year. It is a reform advocated for many years by the Commission, but one we were unable to put into effect without the cooperation of the Social Security Board and the Treasury Department. In our first report (1937) we said:

"We feel that the tax base of the Social Security Act, under Title VIII (Old Age insurance), and Title IX (Unemployment insurance) should be brought as near as possible to conformity; with coverage, wage and tax reports made identical, if possible, and with a single collection agency, either state or federal. Tax collection activities, at present, are absurdly complicated, and taxpayers have full cause to protest."

We are able to relieve our employers of this unnecessary record-making task because the Social Security Board is now sending us photographs of reports made to accompany the payments of the Old Age and Survivors insurance tax collected by the Bureau of Internal Revenue, and because our coverage is reasonably close. The change will mean a little additional work at this office and to be completely successful the coverage for both systems should be identical. If coverage for unemployment compensation in Montana and old age and survivors insurance should be made identical, the increase in coverage would be extremely small and would not affect, we think, more than one hundred employers, and less than 500 workers, in the entire State. The elimination of red tape and unnecessary reporting to both federal and state government, as formerly, justifies the

GRAPH NO. 1

Average Weekly Benefits Paid to Unemployed Workers, by States
 Montana's Average—\$11.87; National Average—\$15.95
 Chart from Social Security Board



change, which should have been made many years ago. We, therefore, ask as a common-sense request that state coverage be made identical with the national system, in future years to expand or contract with the national old age system.

Should the Social Security Board later decline to continue furnishing photographs of the wage records of individual employees it will, of course, again become necessary for the Commission to request Montana employers to duplicate these reports.

Should the Treasury Department be willing to allow the State of Montana to collect the annual unemployment tax of three-tenths of one per cent, obviously it could be done by this Commission at a substantial saving, and would save employers many thousands of additional reports.

INCREASE IN WEEKLY BENEFIT AMOUNT

The formula used in Montana, to obtain the weekly benefit amount paid the unemployed, calls for determining four per cent, or one-twenty-fifth, of the high quarter earnings in the first four of the last five calendar quarters of covered employment. Thus, as an example, an eligible claimant who has been working regularly at a salary of \$100 per month, would have calendar quarter earnings of \$300, and four per cent, or one-twenty-fifth, would fix the weekly benefit amount, following unemployment, at \$12 per week.

Due to the increased cost of living, we believe this formula should be changed so that the weekly benefit amount be fixed by taking five per cent, or one-twentieth, of the highest quarter earnings. This would fix the weekly benefit amount of the \$100 per month worker at \$15 per week instead of \$12.

Such a recommendation, if approved, would increase all benefit payments of \$12 per week, or less, twenty-five per cent.

In the first year of benefit payments, the extra cost would have been about \$339,000; the second year \$332,000; the third year \$178,000; the fourth year \$21,000; the fifth year \$6,000; and the average additional cost over a five-year period \$175,000.

Though such a recommendation may not be supported by various organized pressure groups of labor, we believe it is more important to increase the **average** weekly benefit amount in the lower earning brackets than to increase **maximum** benefits as suggested by the Social Security Board.

MINIMUM BENEFIT PAYMENTS

We recommend that the minimum benefit amount be increased from \$5 to \$7, and the amount of permissible earnings in casual employment, before disqualification, be increased from \$5 to \$7.

The cost of this recommendation, if adopted, would have been during the first year of benefit payments in Montana about \$66,000; the second year \$63,000; the third year \$31,000; the fourth year \$4,000; the fifth year \$1,000; and the average for five years \$33,000.

We believe that in lieu of seasonal restrictions found in many state laws, it might be wise to reduce the weekly benefit amount to the minimum for claimants **who have drawn benefits in four of the previous five years**. A total of 412 claimants drew benefits in four or more of the last five years. If adopted this would bring a minor reduction in costs.

MAXIMUM BENEFIT AMOUNTS

Again, solely due to the increased cost of living, we recommend that the maximum weekly benefit amount be increased from its present top of \$15 to \$20; but that in addition to the other requirements of the law, the **maximum benefit be allowed only to individuals who have never before drawn benefits in Montana**. We favor making the highest possible benefit to be paid to **individuals who have drawn benefits in previous years** at \$17 instead of \$15 as at present.

It is impossible to estimate accurately the additional cost of such recommendations, if adopted, but since half of Montana workers have now drawn benefits in one or more years, the cost would not be as large as might be supposed and would have averaged in the past five years about \$216,000.

The cost for the first year would have been \$381,000.

The cost for the second year would have been \$409,000.

The cost for the third year would have been \$243,000.

The cost for the fourth year would have been \$ 28,000.

The cost for the fifth year would have been \$ 17,000.

Average for the five years — \$216,000.

DURATION OF BENEFITS

Under the present law, a claimant is eligible for benefits (if unable to find work while complying with other requirements of the law) for not to exceed sixteen weeks. However, if prior to filing his claim he has been steadily employed he may at the end of his benefit year (52 weeks) become again eligible for an additional sixteen weeks, without earning new wage credits in private employment. Thus, under the present law, a steadily employed claimant might, in a period of prolonged unemployment, draw benefits for 32 weeks out of 68 weeks. There would, however, be a gap in benefit payments of at least 34 weeks.

The Commission proposes that in the event the claimant is unable to find employment at the end of the sixteenth benefit week, he be allowed to file claims against his lag quarter **at once**.

rather than be required to wait until the end of his benefit year. This would not give the claimant rights he does not now have; it would merely **advance** his rights to draw benefits. Since some sixty-four per cent of all claimants find employment before reaching the sixteenth week of benefits, it is doubtful if the change would mean any additional disbursements.

The suggested change has the advantage of offering a longer duration of benefits in case of need, but has a tendency to restrict such duration to the steadily employed, since most seasonal workers could not qualify for minimum benefits through earnings in the lag quarter alone.

The above completes the recommendations of the Commission with reference to the Unemployment Compensation Law, except minor jurisdictional amendments not particularly affecting the rights of employer or employee under the law.

If **all** of the changes we have suggested should be adopted by the Legislature, the extra disbursements in Montana in the first year of benefit payments would have been about \$788,000; the second year \$804,000; the third year \$452,000; the fourth year \$53,000; the fifth year \$25,200; and the average extra costs over a period of five years about \$424,900. The above does not include the possible costs of advancing eligibility for lag quarter earnings, because we believe this would depend solely upon industrial conditions of employment in the State at the moment. In the absence of a very severe drouth, and the complete closing of the mines at Butte, we do not think Montana will be as hard hit at the end of the war as a great majority of the other states.

DISABILITY INSURANCE

The Commission favors the payment of benefits to workers who are unemployed on account of sickness upon the same pattern as unemployment caused by lack of work. Many, many times a worker is unemployed by reason of illness which has been brought about by the nature or place of employment. The unemployment was not caused by any act of the worker, yet the loss of time and earnings, superimposed upon the extra expense caused by the illness, falls with crushing force upon the worker and his family. Equity would seem to require that unemployment benefits should be paid in such case. Self-caused illness or disability could be excluded, and industrial accidents creating Workmen's Compensation payments would automatically eliminate claims for the same week or weeks. Silicosis payments to incapacitated workers and permanent total disabilities after reaching the age of 55 years and a base of steady remunerative employment over a period of 5 years could be included within this legislation. We estimate that the cost of sickness insurance, silicosis payments and total permanent disability after reaching 55 years to 65 years can be provided by funds of from \$750,000 to \$1,250,000 per year or an amount which would be approximately

one per cent of the total annual pay roll in covered employment in Montana. We believe, should such a program be established, the costs should be assessed to the worker.

Such a system should be dovetailed with the present unemployment compensation program, with identical benefits, waiting periods, etc.

A one per cent tax upon the employee would provide all funds necessary for such a system. If the workers favor such a plan, we believe the present is the time to act—otherwise a more costly and complicated federal system will, in our judgment, be adopted. We do not desire to attempt to force such a system upon any group, but we have made careful study of the problems involved and will, upon request of the Legislative Committees, be happy to outline our views.

APPROPRIATIONS

We believe, if unemployment compensation is to remain a state institution, the State of Montana must share the costs of administration. If the Federal government continues to supply all costs, as at present, it seems inevitable that eventually the office will become, to all practical purposes, solely federal. We will, if given an opportunity, present our case to the proper Committees.

Respectfully submitted,

BARCLAY CRAIGHEAD, Chairman.

I agree with all of the above, except that I think the \$20 maximum benefit should go to all qualified unemployed workers who have the required wage credits, instead of being restricted to those who have never drawn benefits, and I do not think benefits should be reduced to the minimum when claimants have drawn in four of the five previous years.

LOUIS G. DeNAYER, Commissioner.

UNEMPLOYMENT COMPENSATION
COMMISSION of Montana.

WHEN PEACE COMES

By Joseph B. Townsend, Director

WHEN the last bomb has been dropped and the last shell has burst, when the last war weary flyer finally turns his wings toward home and the guns and tanks have been dragged from the battle-fields to rust in peace, many thousands of young Americans will face the beginning of, to them, a strange, new life.

In three years this nation of 130 million people, with an infinite variety of interests and engaged in multifarious peace time occupations, has been transformed into an integrated war machine with a single, deadly purpose. The minds of its millions have been fixed upon a common idea. All peace time preoccupations have been subordinated to and absorbed in the grim business of war. Sometime, suddenly and almost without warning, the business which has absorbed the time, interests, efforts, and lives of these millions will cease to be. Indeed, war is the only occupation many thousands of Montana's finest young men have ever known. Some, just on the threshold of full manhood and ready to enter into their chosen peace time occupations, entered instead, most honorably, into the imperative business of preserving by force of arms the nation which reared them.

Montana Men Have Seen Four Years of Continuous Service

Many have spent more than four years of continuous military or naval service for their homeland. Hopeful and ambitious, but totally inexperienced in the pursuits of either war or peace, they were mere boys when they donned the uniform. Today they are men of full stature, wise and skilled, thoroughly experienced in the professions of war and of war alone.

They're coming home—most of them. They're coming, maybe not all of them, back to the state they left, but they're coming back to the country which is their home.

Who will be at the gangplanks of the troopships to welcome them? Who will advise and help them during their painful rebirth into civilians? Who will tell them where and how to find jobs or occupations? There's the rub—like most Americans, these men and women must depend on jobs, businesses or professions in order to support themselves, to raise families, to maintain the honorable and respectable citizenship upon which, by their services, they have set such high value.

Employment After War One of Most Pressing Problems

Thinking people the world over, grimly viewing the wreckage of our vaunted civilization as the global conflagration flickers out, wonder if and how a new and more lasting world can be built upon the ashes of the old. There are theories. There are plans. But for every plan there are a thousand seemingly unsurmountable problems. The world cannot be rebuilt on the thinking and planning of one person alone or upon the deliberations of one body of men. A successful rebuilding will require the best concentrated thinking, unselfishness, hard work, tenacious application and patience of the majority of the people of all nations. Bodies of authority, international, national, state and local, have never faced graver, more perplexing or more important problems than those which this second world war has put upon them. It would be a display of rank, egoistic ignorance even to attempt to list the problems involved in reconversion from war to peace. We can only hope and believe that each, as it presents itself, will be met with courage, intelligence, and honesty.

This Commission feels, however, that a threat of unemployment is one of the most important problems to be met in the post war era.

Eric Johnston, President of the United States Chamber of Commerce, has said:

"Unemployment is the greatest problem of our civilization. We must solve it. It is a terrible, insistent, devastating disease in our lives."

The Commission is suffering from no delusion that it can offer a solution to the problem of unemployment. Unemployment compensation can only relieve, within restricted limits, some of the evil consequences of unemployment.

The Commission soon will be eight years old. It was born in the depression of the 'thirties when unemployment was a distinct and imminent threat to the economic and social welfare of the State and nation. In seven years it has beheld an economic transformation. It has watched the combat services swallow nearly Montana's entire population of able and active young men and many of its young women. It has seen the defense plants in other localities draw many thousands of workers out of the state. It has watched the unemployment problem become smaller and smaller until it has dwindled into no problem at all.

Commission Records Available for Post War Planning

During these diverse years the Commission has accumulated many records about employment in Montana. In addition to rendering an accounting of the past year's activities of the Commis-

sion to the Governor and to the State Legislature as required by law, this report will endeavor to record employment information which it has accumulated and which may be of use in planning for the years ahead.

Likewise, due regard to the responsibilities with which it is charged impels the Commission to study such information as is available in an attempt to anticipate the kind of situations it may expect to face in the near future, and where and how it may best perform the functions for which it was created.

A study of Montana's employment problems logically may begin with a fair understanding of the State's labor supply. The federal census of 1940 appears to offer a good starting point. The 1940 census shows the figures for the last week in March of that year. This was before employment in Montana had been noticeably affected by the war except in copper mining and allied industries, which showed greater activity than in the previous two years. Except for the war, it represented neither the seasonal peak nor the seasonal depth of employment in the State.

Figure No. 1 of graph No. 2 on page 16 shows an analysis of the State's population by employment status during the last week of March 1940, according to the federal census. Of a total population of nearly 560,000, in round numbers, 225,000 or 40 per cent were in the labor force and nearly 335,000 were not in the labor force. Of the latter group, 132,000 were under 14 years of age. Of the remaining persons, over 14 years of age and numbering 202,000 not in the labor force, about 43,000 were in school, 20,000 were unable to work, 2,000 were in institutions, 16,000 were not classified, and 121,000 were engaged in their own house work. Of the 202,000 persons over 14 years of age and not in the labor force, more than 156,000 or 77 per cent were females.

Of the 225,000 persons in the labor force, the largest industrial group was composed of those engaged in industries covered by the Montana Unemployment Compensation Law. Included in this group were nearly 64,000 hired workers and about 17,000 proprietors and officials. The latter, not covered by unemployment insurance, are included on the graph in the agricultural group. The total number of workers engaged in agriculture, according to the census, was 59,083. Another group of approximately 24,000 consisted principally of persons engaged in occupations other than agriculture, but were not covered under the unemployment compensation law because they were individual owners or operators, or in professions on their own account. Railroad workers totalled 9,000, government workers 8,900, and domestic workers 4,000. Workers not gainfully occupied included 16,000 on public emergency works and 23,000 unemployed.

State Labor Force Greatly Reduced by War

Figure 2 of the graph on page 16 indicates our estimates of the grouping of the State's population now, four and a half years

GRAPH NO. 2

Distribution of Montana Population, by Groups

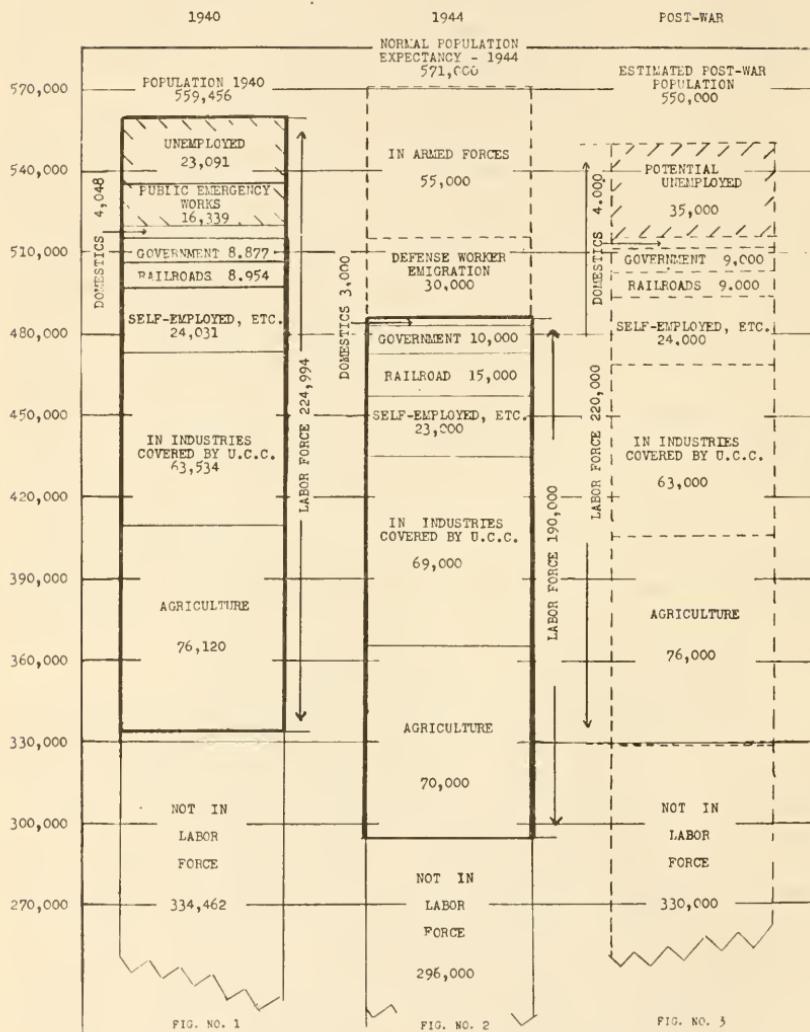


Fig. No. 1 shows detailed grouping of the State's labor force as reported by 1940 census. Fig. No. 2 shows estimated changes in population and labor force grouping as of September, 1944. Fig. No. 3 is a speculative estimate of population and labor force groups a year after the end of hostilities.

NOTE:—Agricultural employment in above figures includes some proprietors and officials of other enterprises. Numbers of agricultural workers included are 59,083, 54,000 and 59,000 respectively.

later. According to these estimates, the armed services and defense work in other states have withdrawn temporarily approximately 85,000 from the State. This withdrawal is principally from the labor force group. There has been an increase in over-all gainful employment in Montana of 5,000 in the last four and a half years—increasing from 185,000 in March, 1940, to 190,000 in the early fall of 1944.

Allowing for an estimated normal population increase since 1940, it appears that the armed services, out-of-state defense work, and increased employment in the State have not only absorbed Montana's previous 39,000 of unemployed and public emergency work groups, but have recruited about 20,000 workers from the group not normally in the labor force.

What will Montana's population be like when the war is ended and demobilization has been completed? How many of its service people will return to their native state? How many of its absent workers in war plants will come back? How many service folk and others from other states will migrate into Montana? How many women, borrowed from their households during the emergency, will retire from the labor market?

How Many Absent Workers Will Return to State?

These are all questions which must be considered in postwar planning and time alone will reveal the answers. Public opinion surveys, made in other parts of the country, indicate that approximately half of those in the armed forces and up to 60 per cent of those who left to work in war industries intend to return permanently to their native states when the war is over. If that is true, where are the rest going? It would seem to indicate interchange of residence. If so, something like half of Montana's absent workers and service people are going to find homes elsewhere and if the service people and workers of other states do likewise, it would appear logical that such a great loss to Montana would be at least partially offset by similar emigration from other states into Montana. It doesn't seem illogical to assume that such an interstate exchange would result in a net return and immigration from 60,000 to 75,000 people to the State in the years immediately following the war.

After the war we also may expect the return of many thousands to the group "not in the labor force." A larger percentage of youth will be attending school, instead of serving in the armed forces or being employed as now. Many older people, who have stayed on the job in the emergency, will retire. Many women, who have rendered such splendid emergency service, will voluntarily return to or take up housekeeping duties. In the face of competition with returned veterans for jobs, increased emphasis on education for young folks, retirement of older workers, and new

births, it is probable that the group not in the labor force will return shortly after the war to the prewar figure of about 60 per cent of the population.

Speculation for Future Subject to Many Uncertainties

Figure No. 3 of the graph on page 16 represents an estimate of the State's population by groups after demobilization following the war. This is purely speculative, since no one knows when or to what extent such demobilization will take place, what situations may arise in other states to affect the movement into or out of the State, how the weather will be affecting farming operations at that time, and a host of other unknown factors. It is presented as a sort of tentative estimate of the labor supply which may be available then.

Arbitrarily assuming a net loss of 10,000 in population from the 1940 figure and 21,000 from the projected 1944 figure, the post-demobilization population of the State is estimated at 550,000. Sixty per cent or 330,000 people are estimated as not being in the labor force, leaving an estimated 220,000 in the State's working population.

Some agricultural experts do not foresee any marked increase in the use of agricultural labor or increase in the number of farmers after the war. Therefore, the number of persons who may be engaged in agriculture after the war has been estimated at 59,000, as it was in 1940.

No Certain Prospect For Increased Employment in Industry

For the working group in industries covered by the unemployment compensation law, there appears no certain prospect for greatly increased employment over 1940, except for construction projects, which the state, federal or municipal governments may sponsor. On the other hand, there is a possibility that some major industries may be adversely affected by curtailment of war time demands. For instance, war time needs for copper appeared to have no ceilings and Montana producers and refiners operated at a capacity limited only by the supply of labor available. It is highly improbable that war's insatiable appetite for copper will be equalled by peace demands. Reduced employment in the mining and processing of copper, zinc, lead, manganese, and certain other products is in the realm of probability, although this may be partly offset by increased activity in gold mining, which has been virtually stopped during the war. Coal mining, also, has felt the effects of the war with a year-around demand and year-around employment. A return to peace may be expected to bring back the customary seasonal variations.

Graph No. 3 on page 20 indicates how monthly employment covered by the unemployment compensation law has been divided among seven major industrial groupings during the past seven years. The top line of the graph does represent the variations in all the industries listed from month to month, but widths of the spaces allotted to each of the industries composing the group, rather than the contours of the dividing lines, indicate the variation of employment from month to month and the proportion of all employment any particular industry gives.

Graph No. 4 on page 22 shows more clearly the monthly variations by industry and indicates the number of workers on the payrolls of the various industries for each month.

The industrial group regularly employing the largest number is that of wholesale and retail trade with from 23,000 to 28,000 workers. The next largest group is manufacturing, which employs from 11,000 to 17,000. Mining employs about the same number with from 7,000 to 16,000 workers. Service trades, such as hotels, laundries, barber and beauty shops, business services, motion picture theaters, and others, employ from 5,500 to 12,000. Construction employs from 2,500 to 9,000. Transportation and utilities employ from 5,000 to 6,000 persons, and employment in the finance, insurance, and real estate group stays fairly steady at about 2,500. None of the above includes the owners in the count of workers.

35,000 New Jobs May Be Needed After War

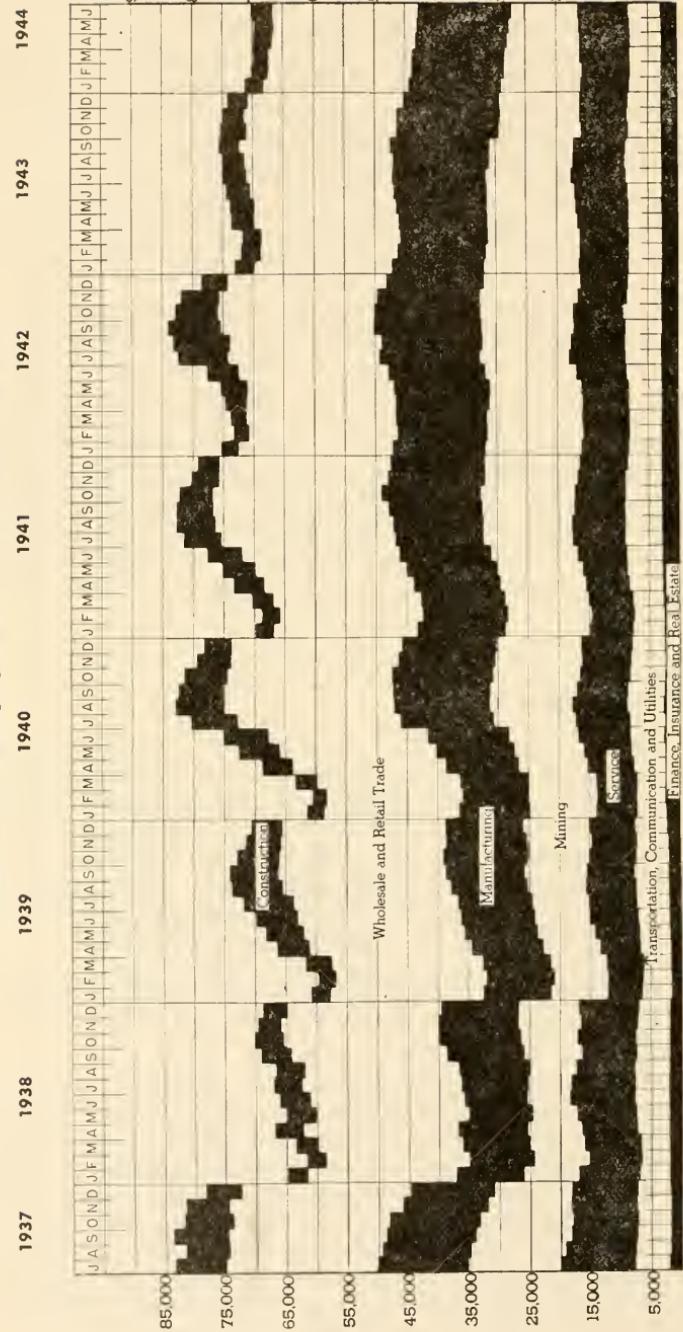
From figure 3 of the graph on page 16, with a speculative loss in population and a return of employment to 1940 levels, the State would have to produce about 35,000 new jobs in order to put the normal labor force to full-time work. If ending of the war results in decreased demands for some of Montana's products, or if unfavorable weather results in crop reductions, or if immigration into the State is greater than anticipated, the number of unemployed may be increased to 39,000 as in 1940, or even to 45,000.

Where are jobs for these workers coming from? George E. Bigge, member of the Social Security Board, states the problem very concisely. He says:

"Regular employment is no more to be achieved merely by willing it than is full health. The will is necessary, but in addition we shall need to diagnose the causes of unemployment and the cure, the actual specific means of preventing it. And these means are not readily at hand. As has frequently been pointed out, to have reasonably full employment in the postwar period will mean producing and selling 30-40 per cent more goods than in the best of prewar years. To realize the problems involved we need only ask ourselves why we did not produce those goods in 1940. It was not because of lack of capital; we complained of excess ca-

GRAPH NO. 3

Distribution of Employment in Covered Industries



Graph shows employment by months in industries covered by the Montana unemployment compensation law since July, 1937. Industries have been divided into seven major groups. Space allotted to each group indicates monthly employment of that group, with top contour representing total employment of all groups covered.

Variation in the width of space allotted to a particular industrial group indicates the variation of employment in that group. Figures at the sides indicate total number of workers employed. The graph depicts relative size of various industrial groups as measured by numbers of workers employed.

pacity in most fields, and there was ample free capital to build new facilities if opportunity presented itself. It was not because of scarcity of labor; there were 8 to 10 million unemployed men eager for jobs. We did not employ them solely because we did not know what to produce; business was unable to see a market which would take the output at a price equal to the cost of producing it. . . .

" . . . There are those who believe we can avoid unemployment entirely by adopting appropriate fiscal policies. They contend that, just as government spending for war has practically eliminated unemployment now, an analogous policy of peace time spending can assure maximum employment at all times. Actually, war time spending has demonstrated only what everyone knew—that if, through unlimited credit expansion, the government purchases and uses unlimited quantities of goods, people will be employed in producing these goods. But if such a philosophy were applied in peace time, our system of private enterprise would have ceased to exist."

How Many Jobs Can Construction Provide

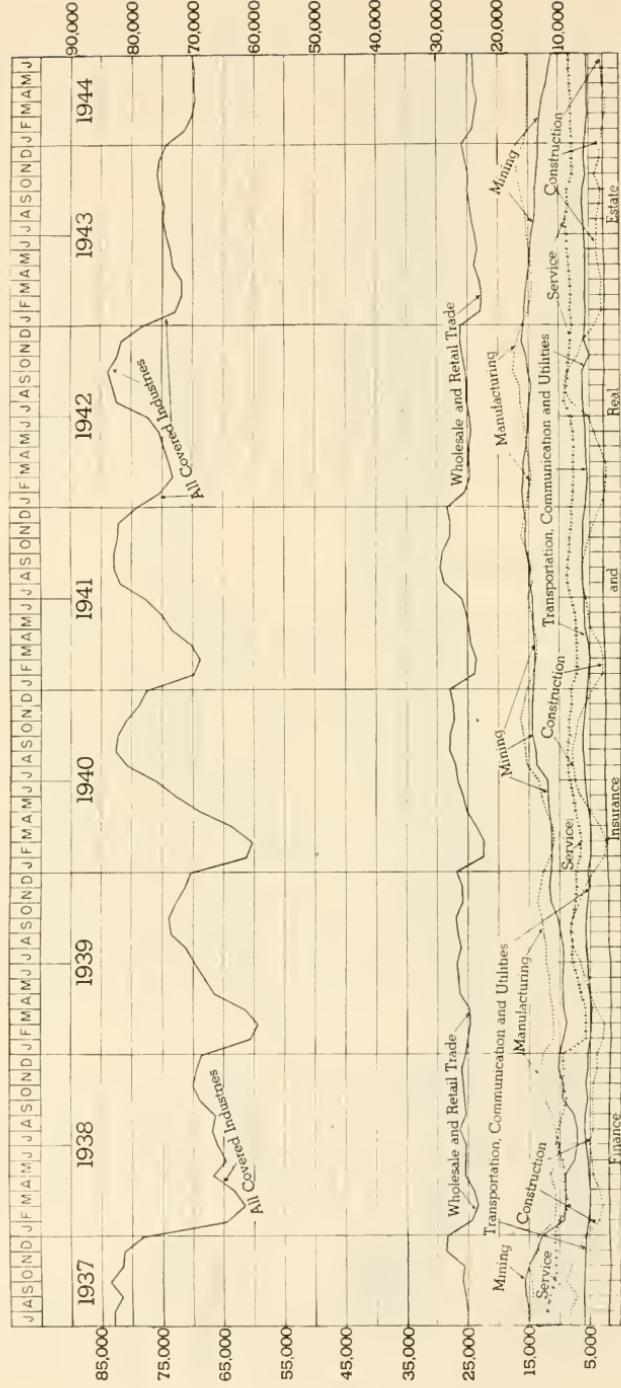
In Montana, during the war years, there has accumulated a backlog of unfinished business. Much of this is the business of the State of Montana, highway construction, irrigation development, and construction of public buildings. In addition, there undoubtedly will be considerable private construction of various kinds. However, experience and a knowledge of the State show that construction work in Montana is greatly affected by the seasons. Year in and year out it reaches a peak in the summer and fall and recedes to a minimum in the winter. Consequently, many workers, who depend upon the construction industry for a livelihood, are unemployed for periods each year. Moreover, the question arises as to how many of our prospective unemployed the construction industry can employ. Over the past seven years, total workers in the industry has ranged from a minimum of 2,500 to 9,000. Can it be expected to double or treble its past maximum employment?

Under the most favorable conditions, it is scarcely to be expected that the real estate, insurance, and finance group, or the communications, transportation, and utilities group, could enlarge their payrolls sufficiently to absorb many thousands more workers. Also, the interstate railroads (which are not included in any of the industrial groups above mentioned) will be able to employ only as traffic warrants.

As suggested before, the ability of agriculture to absorb many additional workers over a period of years is highly problematical. During the past four years, agriculture has been operating under favorable weather conditions and without arbitrary crop restrictions. There has been an insistent demand for virtually all agri-

GRAPH NO. 4

Variation of Employment by Industrial Groups



Figures on the sides indicate number of workers employed. Labelled curves show monthly and seasonal variations of number of workers employed by different industrial groups covered by the Montana unemployment compensation law. The curves depict a pronounced seasonal trend in most groups which results in decided seasonal variations in total employment given by all covered industries. Seasonal curves have noticeably flattened during the last year and a half, due to the effect of the war on employment in Montana.

cultural products during the war years. If the industry is faced again with unfavorable crop seasons and glutted markets, employment possibilities in agriculture may be reduced below 1940 and 1944 levels.

New Manufacturing Could Provide Extra Jobs

During the past seven years, manufacturing has employed from 10,000 to 18,000 persons, exclusive of owners and individual operators. During this time manufacturing has been very closely related to other existing industries in the State. Smelting and refining falls within this classification and is related to mining and petroleum production. Food manufacturing lists many classifications, such as creameries, sugar factories, flour mills, canneries, bakeries, etc., most of which are closely related to and dependent upon agricultural production. Lumber manufacturing is closely related to forest production and construction activities. Likewise, stone quarrying and manufacture of brick and tile are dependent upon construction activities.

Employment in manufacturing in Montana in existing plants will depend in a very large measure upon the degree of prosperity which respective related industries enjoy. Development of new industries and new manufacturing enterprises could increase the industry's ability to employ.

The wholesale and retail trades and service industrial groups appear to offer the best immediate prospects of absorbing workers during the postwar period. While the prosperity of both are basically related to the prosperity of all other industries in the State, they are largely and directly affected by the State's comparatively new and growing tourist trade. When the war is over and restrictions have been removed from travel, it is not unreasonable to expect visitors to Montana in numbers exceeding those in the best of prewar years. However, both of these industries are subject to considerable seasonal fluctuations of volume and employment. These seasonal variations are accentuated by the tourist business, which, by its nature, is highly seasonal.

It is not the intent of this discussion to cast gloom over the postwar prospects of employment in the State. Rather, it is intended to offer a quick and general analysis of the prospects for employing the returning labor force on the basis of present knowledge and past experience. It is fully understood that any number and variety of unforeseen developments may upset the calculations made. A reawakening in China, a discovery in Africa, or a political development in Washington each might definitely affect employment opportunities in Montana.

Recurring Seasonal Unemployment Of Many Workers Most Probable After War

However, in the light of present information, there is the probability that in the postwar years providing employment for the

labor force will be a definite and sizable problem; that there is a probability of insufficient jobs for all those who wish to work or must work for their livelihood; that there may be many thousands of workers who will be unable to find steady employment; that there will be, as there has been before, recurring seasonal unemployment of large numbers of workers.

This Commission feels that the unemployment compensation program cannot be totally ignored in the mapping of postwar plans. Unemployment compensation is not a cure for unemployment. When there are more workers than there are jobs, unemployment compensation can't produce the missing jobs. Furthermore, workers who are continuously unemployed over periods of years, offer a problem which does not come within the scope intended for unemployment compensation. This is a problem of relief. Unemployment compensation is a device not to cure but to take some of the curse off unemployment. It is intended to tide over, between jobs, a worker who depends upon employment for his livelihood.

There is every prospect that during the reconversion period from war to peace and in the years following, unnumbered thousands of Montana workers will find themselves, at least temporarily, out of jobs. Unemployment compensation can assist these people. Federal legislation provides for readjustment allowances for veterans of this war. Practically, these readjustment allowances supplant the unemployment compensation provisions for veterans in the Montana law.

The veteran who returns from service to find no job waiting for him will have a means of subsistence for a reasonable period until he is able to establish himself. However, not all veterans are coming home jobless. A grateful public is going to do its best to provide jobs for these folks. Many persons who were not normally in the labor force, but who have been pinch hitting during the war, will be replaced by returned veterans. Undoubtedly many period-of-the-war workers will not willingly retire. They will want to continue working but, if jobs are scarce and openings are being filled with returned veterans, they will have recourse to unemployment compensation. Under these conditions the percentage of these workers who will draw benefits for the maximum of 16 weeks will be large.

Returning Defense Workers May Draw Benefits from Other States

A large percentage of the workers returning to Montana from defense work in other states will, for a period of from 12 to 18 months, be eligible for benefits from other states in the event they are unable to find employment in this State. On the other hand, due to the fact that Montana has had very few special defense projects which have attracted out-of-state workers to Montana, claims against Montana from workers who have earned credits

here and have migrated from the state are not expected to be unduly large. However, those returning workers, who find employment in the State in covered industries, will in the course of months establish new wage credits, thereby creating contingent liabilities against the unemployment compensation reserves.

The principal groups of workers from which claims against the Montana unemployment compensation reserves will probably originate may be summarized as follows:

1. Period-of-the-war workers, many of them women, recruited from the normal non-labor force and replaced in industry by returning veterans and defense workers;
2. Workers in covered industries within the state whose activities may be curtailed by the reduction of war markets to peace time needs;
3. Workers who obtain jobs in Montana industries and who become unemployed due to seasonal fluctuations;
4. Workers returning or migrating to Montana who obtain some employment in covered industry and then become unemployed.

If the supply of workers exceeds the number of jobs available, the surplus of workers will constitute a group individually and intermittently employed as chance may decree. As they are employed from time to time in covered industry, they will usually establish wage credits which will entitle them to unemployment benefits under the law. To this group of prospective claimants must certainly be added many thousands of workers who become seasonally unemployed.

Winter Is Peak of Unemployment Claims

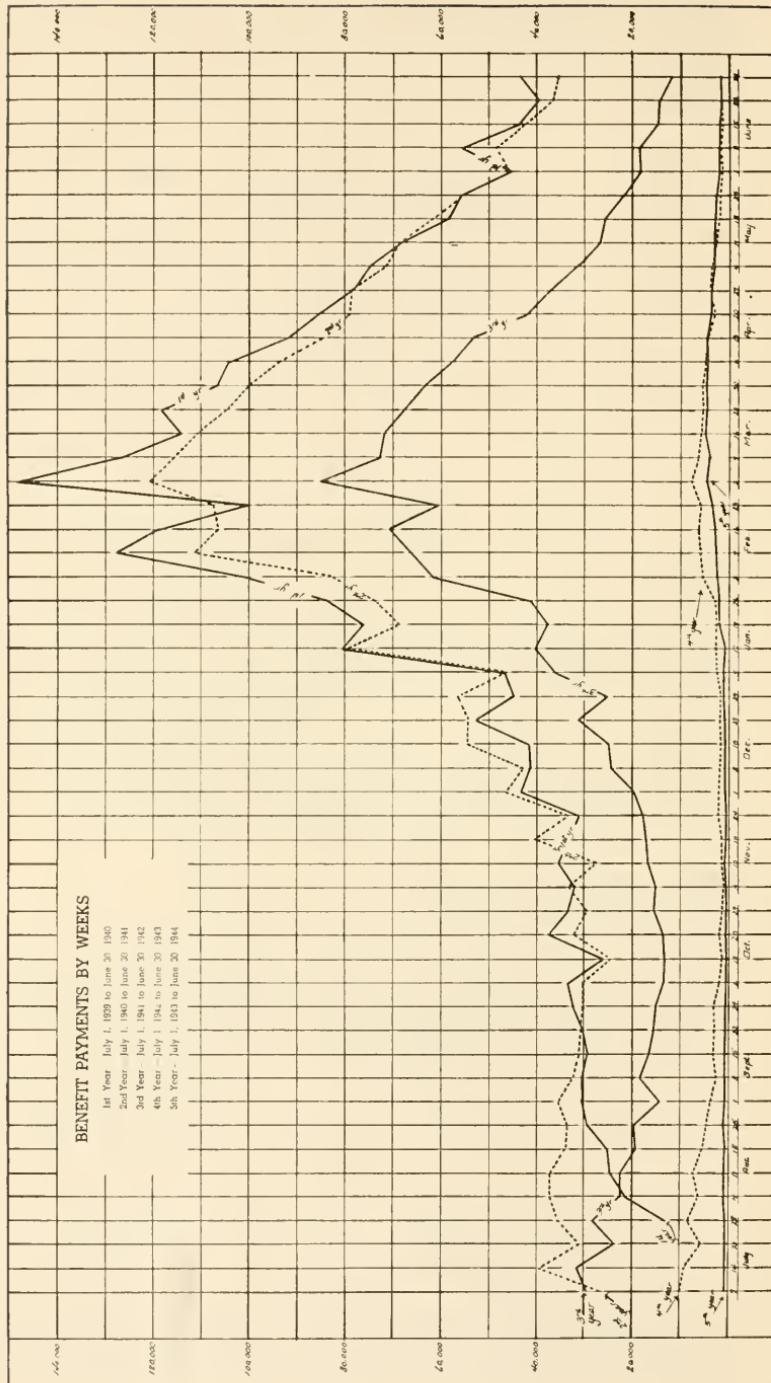
During the six-year period from 1937 to 1942 inclusive, there was an annual recurring seasonal fluctuation of employment in covered industry in the State of from 9,000 to 22,000 jobs. During the first and second years of benefit payments, more than 23,000 individuals in covered industries became unemployed and filed for benefits. As indicated by graph No. 5 on page 26 minimum benefits were paid during the fall season—the period of maximum employment—and rose sharply to a peak during the winter months.

During this time there was no marked depressional curtailment of employment in any of the State's major industries.

From the foregoing it may be assumed that from 20,000 to 25,000 workers may claim unemployment compensation in the year immediately following the close of hostilities, with a possible peak of 30,000 in the event of a depression. Depending upon the

GRAPH NO. 5

**Unemployment Compensation Payments by Weeks in Montana
In Each of 5 Years, by Dollars**



speed of readjustment from war to peace and economic conditions following, the second and third years thereafter may see the same condition.

It is estimated that, by the time the heavy claims load arrives, the Montana Unemployment Compensation Fund will have passed the sixteen and one half million dollar mark. Benefits paid could total annually from \$3,000,000 (as in each of the first two years of benefit payments) to \$5,000,000, on the basis of the present benefit formula.

Experience Shows System Based on Sound Actuarial Principles

This would be at least partially offset by current employer contributions which, on the basis of the present 2.7% tax of payrolls, would amount to from \$2,000,000 to \$3,500,000 annually. The minimum mentioned above is less than the amount of contributions for any year since the 2.7% rate became effective. The \$3,500,000 maximum is \$83,000 less than the highest yearly contributions previously received. In addition, approximately \$200,000 annually would accrue to the fund from interest received.

Unemployment compensation is primarily an insurance business. It is to be expected that over a long period, under varying economic conditions, there will be fluctuations both in the amount of premiums (payroll taxes) received and in the amount of benefits paid. It is to be expected that at times contributions will exceed benefits and at other times benefits will exceed contributions. Both of these situations have occurred during the life of this Commission. For each of the first two years of benefit payments, contributions were not currently sufficient to meet benefit payments. With the approach and arrival of war, unemployment contracted and employment expanded to a point where benefit payments were but a small fraction of the contributions received.

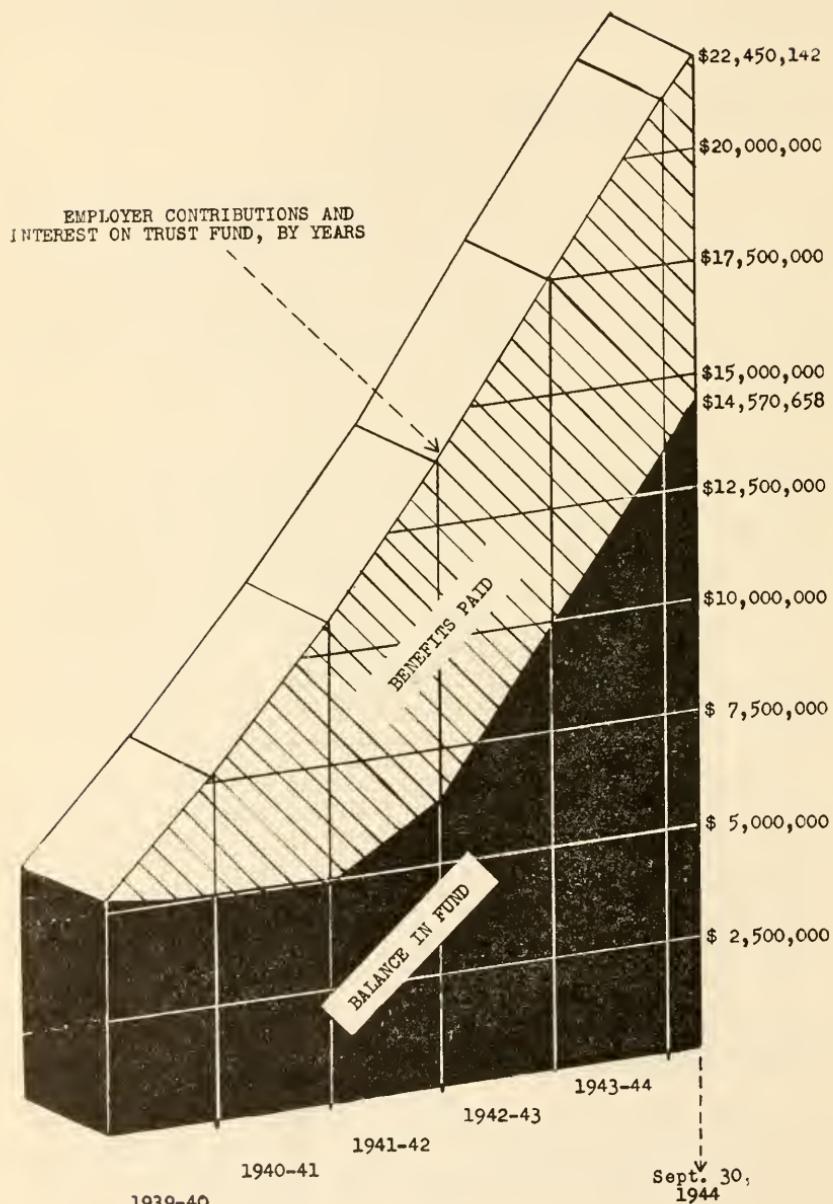
The first seven years of experience has demonstrated the actual working of a basically sound actuarial principle, expressed in the Montana law as "the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment." The accumulation of funds in the present period of employment has provided the state of Montana with a healthy reserve of \$15,500,000. This reserve is available to meet whatever unemployment contingencies may arise.

Reserves Sufficient To Meet Anticipated Needs

Is the reserve fund sufficient for possible needs in the immediate future? In the face of possible future benefit payments, is it solvent? These are questions which an actuary may be expected to ask. These are questions with which this Commission

GRAPH NO. 6

Additions to Trust Fund, Benefits Paid and Balance in Trust Fund to September 30, 1944



has been regularly concerned. It has endeavored to estimate how the fund would be affected in various possible economic situations following the war.

With the present benefit formula unchanged and assuming the most unfavorable economic situation, short of complete collapse of the industrial system in Montana, the Commission is convinced that reserves are sufficient to meet benefit obligations for more than two years. Based upon less pessimistic assumptions, it appears that the State's unemployment compensation reserves are or will be sufficient to meet all requirements within the foreseeable future.

If the nation and the State can effect the transition from war to peace without a too violent disruption of the industrial system, and if they can avoid the depths and length of the pre-war depression, then funds available for payment of benefits may be greater than ordinary prudence would consider necessary.

Since it does not appear proper that a governmental agency should accumulate by taxation funds in excess of reasonably anticipated needs, in the event that the State's unemployment compensation reserves amount to more than necessary, one or both of two courses appear logical. One course is that of liberalizing the benefit formula. The other is to reduce the tax rate. Both alternatives deserve careful consideration.

Benefit Formula May Be Liberalized in Several Ways

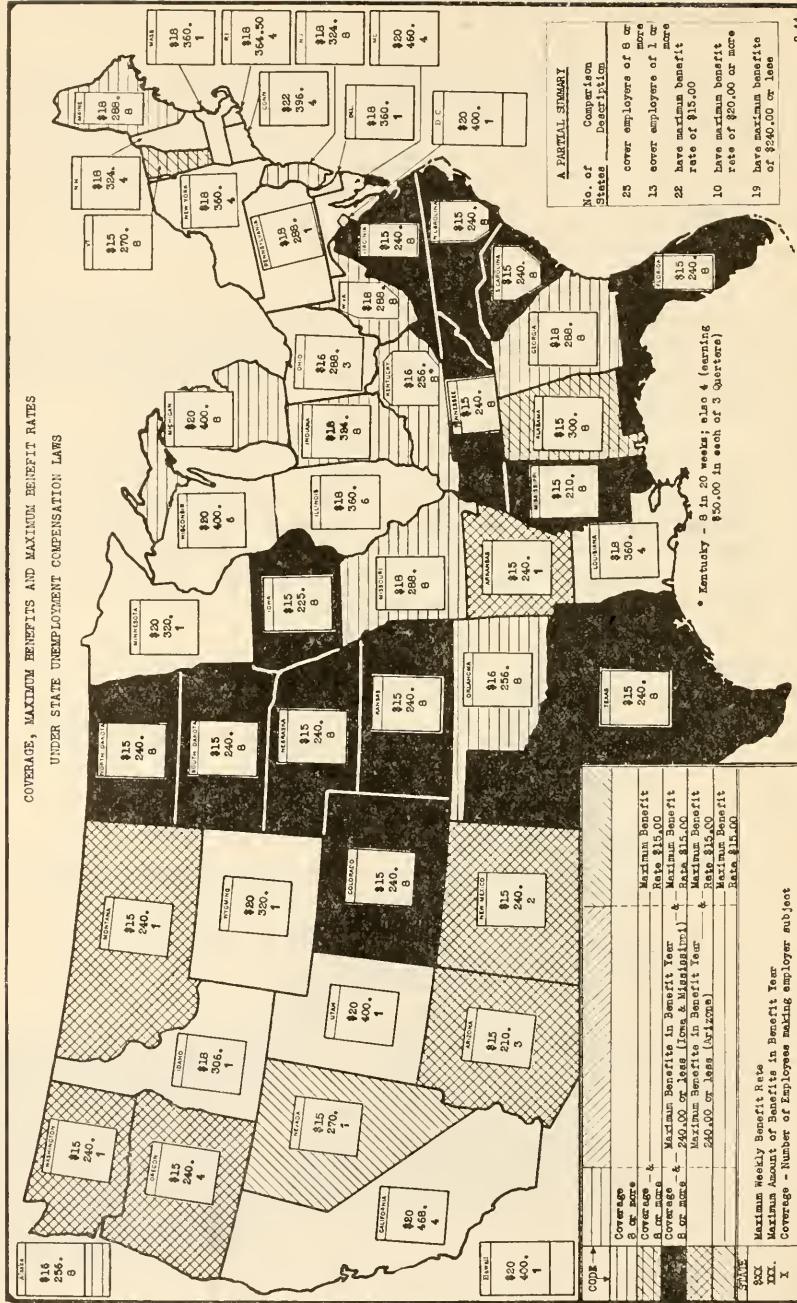
The benefit formula may be liberalized in several ways:

1. By increasing the weekly benefit amount;
2. By extending the duration of payments;
3. By increasing coverage of the law to include workers not now covered;
4. By including benefits for workers presently covered but not now eligible under the law.

Consideration of the advisability of liberalizing the benefit formula should properly begin with an examination of the present formula to ascertain whether or not it serves the purpose for which it was intended with reasonable adequateness. Unemployment compensation was planned for the purpose of providing the necessities of life for workers who were unemployed for a period reasonably expected to extend from the time one job was lost until another job was found. It was not intended that unemployment compensation should enable a worker to make a profit on his idleness. It was not intended that a worker's income should be the same whether he worked for wages or drew benefits for unemployment.

GRAPH NO. 7

Some Significant Provisions of Various State Unemployment Compensation Laws



—Courtesy Unemployment Benefit Advisors, Inc.

Present benefit amounts in Montana begin at \$5 per week and increase at one dollar intervals to \$15. The weekly amount which any unemployed worker receives is based upon the amount of his quarterly earning in covered employment during the first four of the last five completed calendar quarters prior to the date he files his claim. Undoubtedly there are numerous cases in which benefit amounts are inadequate for the actual needs of the unemployed worker. For instance, a worker entitled to the minimum of \$5 per week because of his previous low earnings in covered industry, not only did not have the advantage of previous profitable employment, but the low benefit rate will not provide him a very lush subsistence. Further, if the claimant has a family, possibly a large one, such benefits are entirely inadequate. The single worker, or the worker with a small family, who is entitled to the maximum rate of \$15 weekly, has apparently enjoyed fairly good earnings in his employment, may have a few savings and may find it possible to pay his subsistence bills on his weekly benefits.

Differing from the outright relief programs, the Montana unemployment compensation plan does not predicate its benefits upon the basis of need. It is a limited insurance program based on previous employment.

Obviously no such insurance program can be formulated which will provide benefits completely adequate to the varying needs of every worker without being more than adequate to the needs of many workers. A frugal, well managed household might subsist comfortably on an amount which another family of the same size would find totally inadequate. To allow sufficient benefits to meet maximum needs would place a premium on idleness to those workers whose requirements were less than maximum.

Many States Provide Larger Benefit Payments Than Does Montana

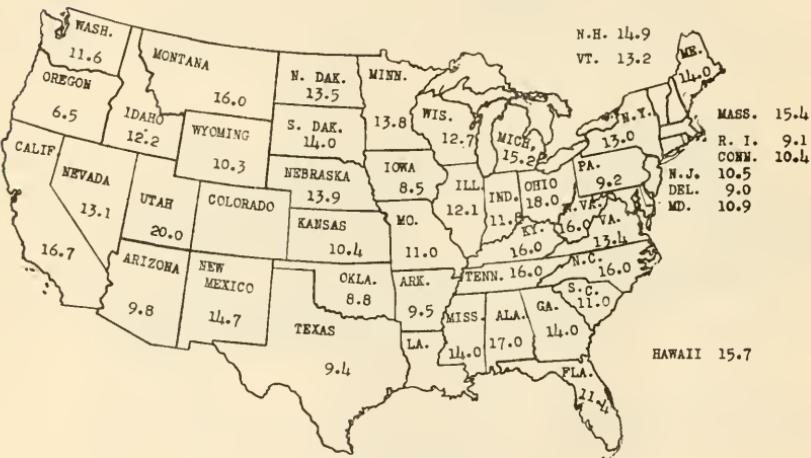
Of the 51 states (48 states, the District of Columbia, and the territories of Hawaii and Alaska), nine have a minimum weekly benefit of less than \$5; 20, including Montana, have a minimum weekly benefit of \$5; and 22 provide for a weekly minimum benefit of more than \$5. All the states with a minimum of less than \$5 are southern states. Maximum weekly benefits in 22 states, including Montana, is set at \$15 and the maximum in 29 states is more than \$15. Four states pay a maximum of \$16, 15 pay a maximum of \$18, nine pay a maximum of \$20, and one state pays as much as \$22.

Maximum duration of benefits in three states is less than 16 weeks. In 26 states, including Montana, it is 16 weeks, and in 22 states maximum duration is for more than 16 weeks.

However, minimum and maximum limits of weekly benefits and duration are not the sole measure of the liberality of an unemployment compensation law. Many state laws have more stringent eligibility provisions. Fifteen states, including Montana, provide for flat duration of benefits. That is, duration in the other states depends upon the length and character of the claimant's previous employment and other factors. These combined restrictions result in the reduction in amount or duration, or even in the denial, of benefits to some workers, who lose their jobs through no fault of their own and who, under the Montana law, would be entitled to benefits.

GRAPH NO. 8
Average Number Payments to Individuals
Exhausting Benefits, by States

AVERAGE ACTUAL DURATION, CLAIMANTS EXHAUSTING RIGHTS,
 BENEFIT YEARS ENDING IN 1942



In Montana and in 14 other states, an unemployed worker has exhausted his benefit rights within a year only after he has drawn the flat maximum number of payments allowed under the law. In Montana this number is 16. In still other states the maximum number of payments a claimant may draw is dependent upon his previous work history and other factors. Thus, although a state may set 18 weeks as the maximum, under restrictions mentioned an individual claimant may be limited to a maximum of only two or three weeks. The above graph shows average number of payments issued to individuals who drew maximum benefits under respective state laws. The figures do not include numbers of payments to individuals who drew less than the maximum permitted. The graph is made from latest information available. Comparable figures from Alaska, Colorado, District of Columbia, and Louisiana are not available.

This Commission has given considerable thought to the question of the adequacy of Montana's benefit formula. As mentioned before, it is probably impossible to devise a just and reasonable benefit formula which will provide a weekly benefit payment suited to the individual requirements of each claimant. Investigations have shown that present weekly benefit amounts have been adequate in many cases, but that in many other instances double or treble the present maximum of \$15 would be insufficient to meet the requirements of some claimants.

However, in the light of seven years of experience and in the face of increased living costs, the Commission believes that weekly benefit amounts should be increased from the present 4% of highest quarter earnings in the base period to 5%. It feels that the minimum weekly benefit amount should be increased to \$7 and the maximum to \$20, the maximum being available only to those claimants who have not drawn benefits in the previous five years.

Many Montana Workers Unemployed for More Than 18 Weeks in Year

A little more information is available as to the adequacy of the present flat duration of 16 weeks, although this evidence is inconclusive. One measure of the adequacy of duration under the Montana law, although such a measure is far from conclusive, is the percentage of workers who lose their jobs, claim benefits and exhaust their benefit rights within their benefit year. Following is a table showing the number of claims allowed, number of claimants exhausting benefits each year, and percentage of claimants exhausting benefits each fiscal year since benefit payments began in July, 1939.

Fiscal Year	New Claims Allowed	No. of Claimants Exhausting Benefits	Percentage of Claimants Exhausting Benefits
1939-40	27,385	9,578	35.1
1940-41	26,557	10,543	39.7
1941-42	16,805	5,668	33.1
1942-43	2,234	664	29.7
1943-44	1,110	193	17.4

The fact that a claimant drew the maximum of 16 checks in his benefit year (52 weeks from the date of filing his initial eligible claim) does not necessarily mean that he had no employment in that year. He may have had several jobs of short duration. All that it actually does indicate is that the claimant, within a 52 week period, was unemployed for at least 18 weeks (including, in most cases, a two-week non-compensable waiting period).

Most Claimants in Last Two Years Are Border Line Employables

However, the above table does show a marked decrease in percentage of claimants who exhausted their benefits in the war

years of maximum employment from the percentage of unemployed workers who claimed all of their benefits in the less favorable employment years. Making some allowance for those workers in some seasonal industries, which are inactive for more than four months each year, and making further allowance for that small percentage of workers who, because of age, limited infirmities, sex, ability or other reasons, are virtually border line employables, but who have earned sufficient credits in past covered employment and fulfill the qualifications for benefits, it would appear that the benefits of many workers are exhausted before they obtain new jobs. The above table seems to bear out the logical assumption that in periods of widespread and long enduring unemployment, 16 weeks of benefits would be of insufficient duration to tide over some workers between jobs. What percentage this would be is unknown since facts at hand are insufficient to determine how many workers found jobs immediately after their benefits were exhausted, how many had found temporary employment sometime during their benefit years, or how long others had to remain idle after their benefits were exhausted before they again became employed.

Commission Recommends

Liberalization of Benefit Formula

The Commission has no means of foretelling certainly what employment conditions after the war will be and whether or not the present benefit duration will be reasonably adequate. However, it is prepared to recommend liberalization of the duration provisions of the law along the following lines:

At present the amount of an eligible claimant's weekly benefit is based upon the amount of wages he received during his base period, which is defined as the first four of the last five completed calendar quarters immediately preceding the filing of his claim. His benefit year is fixed as the 52 weeks immediately following the date of filing. Within that 52 weeks, he may claim benefits for a maximum of 16 weeks. If he claims benefits for less than the maximum number of weeks, his rights to any claims during that series expire a year from the date he filed his first claim.

Thus, there is always one full calendar quarter, frequently referred to as the "lag quarter," against which he is unable to draw during his current benefit year, and he must wait a full year from the date of filing his initial claim before he can receive benefits based on any wages he may have earned in covered industry, within the calendar quarter last completed, before he filed his initial claim.

The Commission proposes that the law be amended so that if a claimant exhausts his benefits within his benefit year, the benefits for which he might be eligible on the basis of wages earned in the "lag quarter" be made available to him during the

remainder of the current benefit year. Such a provision would enable a claimant to draw a maximum of 32 weeks in one benefit year. However, an extension of duration in this manner would not incur a major increase in obligations against the fund nor result in greatly increased benefit payments over two or more years.

At present, the claimant who has unused wage credits in his lag period and exhausts his benefits and remains unemployed, may draw against those unused wage credits when his current benefit year expires. The net effect of the proposed change would be to permit the claimant to use his "lag quarter" credits a few months earlier than is permitted now.

If it appears that the state is accumulating unnecessarily large reserves in the unemployment compensation fund, a conclusion to which this Commission does not categorically subscribe, and if the one alternative of liberalizing the benefit formula sufficiently to justify such reserves is not effected, the other alternative of reducing unemployment payroll taxes, legally referred to as contributions, is logically a matter of consideration.

Flat Reduction of Tax Rate Not Practical

In considering a reduction of the tax rate, it should be borne in mind that under the present federal Social Security Laws, a flat reduction of the unemployment tax is not practical. The federal law provides for a payroll tax of 3% on payrolls of employers of eight or more. This is separate and distinct from Social Security Old-Age and Survivors Insurance taxes. However, the employer of eight or more who pays unemployment taxes to the state, may obtain for such state taxes paid when due, a maximum credit of 90% of the federal payroll tax. Thus the employer who owes the federal government \$300 payroll tax (on a payroll of \$10,000) and pays state unemployment contributions of \$270 (present state contribution rate of 2.7% on his payroll), may take full credit for the \$270 paid to the state and remit \$30 to the federal government in full settlement of that payroll tax. If the state unemployment contribution rate were reduced to a flat 1%, the employer of eight or more would be required to pay the difference between the state tax and the federal tax (2%) to the federal government. Thus, in the example above the employer would pay \$100 to Montana and \$200 to the federal government. The funds thus collected by the federal government are not set aside for payment of unemployment compensation, nor are they earmarked for any specific purpose.

A flat reduction of the Montana tax would result in increased revenues for the federal government, decreased revenues for the state, and no tax reduction for employers subject to the federal tax.

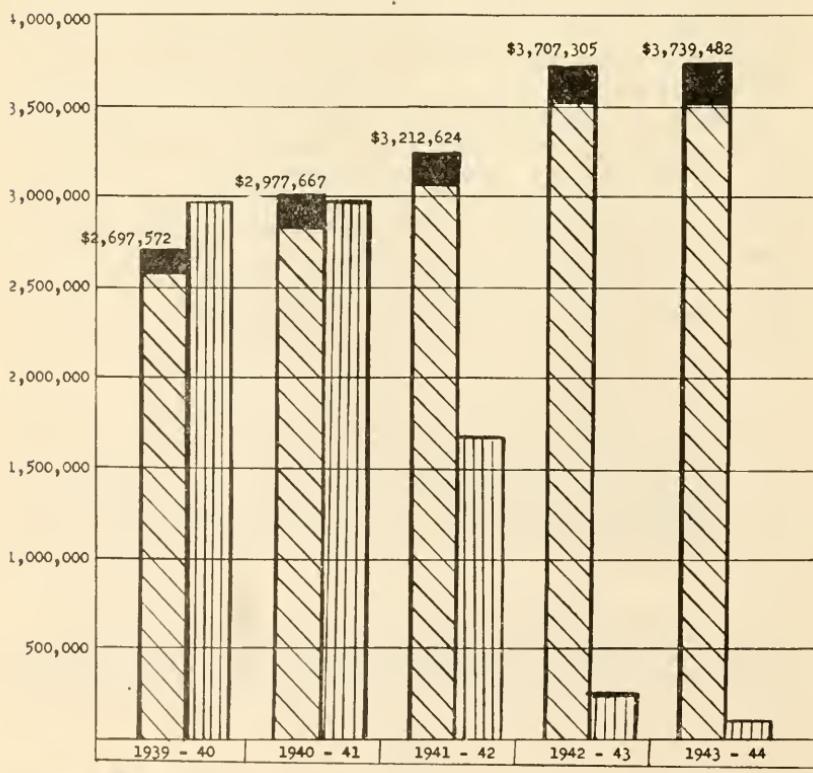
Tax Reduction for Some Possible Through Experience Rating

However, Section 1602 of the Federal Unemployment Tax Act, does in effect provide a means of state unemployment compensation tax reduction through the application of a system of graduating the contribution rate on a merit basis. Such a system is commonly known as "merit rating" or "experience rating." In order that an employer may obtain proper credit under a state experience rating law, the state law must meet the standards imposed by federal law, as determined by the Social Security Board.

By direction of the Montana law, this Commission submitted a report on the subject of experience rating to the Governor and the Legislature in January, 1943. In this report were summarized the statistics and conclusions of the Commission resulting from a four year study. The legislative assembly of 1943 left the law unchanged as far as experience rating provisions were concerned.

The study has been continued and brought up to date to include the two years just past. The Commission's conclusions and recommendations, in the light of this further study, together with pertinent statistics, is presented herewith.

GRAPH NO. 9
Comparison of Income and Benefit Payments
By Years, in Dollars



LEGEND:



Interest on
Trust Fund



Employer
Contributions



Benefits
Paid

EXPERIENCE RATING FOR EMPLOYERS

A discussion of experience rating for employers might properly begin with a re-statement of the basic theory of unemployment compensation.

Government-operated unemployment compensation, in effect in the United States, is a form of compulsory insurance on the tenure of a worker's job. If he is employed, he receives no benefits. If he loses his job involuntarily, he is partially recompensed for the loss by money benefits. In most states, funds for the payment of these benefits are derived from payroll taxes paid wholly by employers. In three, employees contribute some part.

Payroll taxes are the premiums paid to carry this type of insurance. The justification for the fact that these premiums are paid either totally or in part by employers, although employers are not direct beneficiaries of the system, seems to arise from the assumption that the responsibility of unemployment lies with the employer. The correctness of such an assumption is debatable, although, in the last analysis, if employers could and would provide jobs, there would be no unemployment. In a sense, unemployment compensation is an insurance on the employer's ability and willingness to provide the necessary jobs.

Blame on Employer Is Not Warranted

Experience rating for employers is predicated directly upon the assumption of individual employer responsibility to an extent beyond which this Commission believes are reasonable limits. Experience rating classifies individual employers according to their employment risks, as based on previous experience. It graduates the premium rate, or tax rate, according to the potential employment risk of each employer. The employer who hires and lays off a high percentage of workers each year is considered, in effect, a poor employment risk and, as a consequence, he is assessed at high premium rates. The employer who lays off few people during the course of his employment is assessed at lower rates.

The general idea behind various methods of experience rating is that each employer should contribute only sufficient premiums, or taxes, to pay benefits only to those workers for whose unemployment he is directly responsible.

Experience Rating Harmful to Valued Industries

The intent of experience rating, in effect, is to place the responsibility for unemployment directly upon individual employers. It

is based on the premise that any and all employers have the power to control the amount and duration of the employment which they may give. There are an untold number of instances which prove the error of this assumption. This Commission feels that such an assumption is unfair to the employers of Montana, that any job insurance program based on such an assumption would result in penalizing many of our important industries, would do incalculable harm to the economy of the State, and would, at least partially, defeat the purpose for which the unemployment compensation law was intended; that is, to provide reasonable protection to Montana workers during periods of unemployment.

1943 Recommendations

The Montana unemployment compensation law provided that the Commission should submit to the Governor and the Legislature not later than January 1, 1943, a report of a study and investigation which it was required to make concerning "the operation of this Act and the actual experience hereunder with the view to determining the advisability of establishing a rating system which would equitably rate the unemployment risk and fix the contribution to the fund for each employer or industry and would encourage the stabilization of employment." This report was submitted as directed, with the following recommendations:

1. On the advisability of establishing a merit rating system.
The Commission's Recommendation:

We do not believe it is advisable to establish a merit rating system for unemployment compensation tax collections in Montana.

2. In the event that the legislature overrules the recommendation of this commission advising against a merit rating system in the state, we are required to recommend a choice between a rating system to fix the contributions to the fund of each employer or industry. It is the opinion of the commission that, if an experience rating system is established, it would be wiser to fix the tax assessment upon a percentage of pay rolls by industry, rather than by individual employing units. The rates for any calendar year should be so fixed that if applied to all employers and their annual pay rolls of the preceding year, they would have yielded total contributions equaling approximately 2.7 per centum of the total of all such annual pay rolls. No employer's contribution rate should exceed 6 per centum or be less than 1 per centum.

No individual employing unit should receive a contribution rate of less than 2.7 per centum, regardless of the industry classification and record, when in two of the previous three years the total sum paid in benefits to employees of such unit has exceeded the contributions paid into the fund by this unit in the same period.

The contribution rate of an employing unit should take the maximum rate of six per centum, regardless of the industry classification or record, when benefits paid to the workers of such employing unit have, in two of the previous three years, equaled or exceeded twice the contributions paid into the fund by such employing unit.

No individual employing unit should receive a contribution rate of less than 2.7 per centum, unless the reserves for his individual account exceed 7.5 per centum of his last annual pay roll and reserves for his industry as a whole exceed 7.5 per centum.

3. If the legislature decides a merit rating system is to be established in the state, this commission is also required to recommend a system that will encourage the stabilization of employment. It is our opinion that stabilization of employment in some industries can only be influenced by fixing the tax rate so high that many unfortunate individual employers, and perhaps some entire industries, might become bankrupt. Such a program might bring greater stabilization for the remaining employers but would be harmful to the state as a whole.

Legislature Concerned With Two Principal Points

The Commission's report reviewed at some length various problems involved in devising an equitable system of experience rating, and this will be reviewed only briefly in this report.

In their directions to this Commission, the Legislature appeared to be concerned with two principal points: "establishing a rating system which (1) would equitably rate the unemployment risk and fix the contribution . . . , (2) and would encourage the stabilization of employment."

The study and investigation conducted by the Commission for the 1943 report, supplemented by continuous studies since that time, have convinced the Commission that (1) there is no method of experience rating which would equitably rate the employment risk, and (2) stabilization of employment to any major degree in Montana is, if not impossible, impractical ,and if accomplished in the light of present knowledge, would result in very considerable damage to the economy of the State.

Both of these points will be discussed briefly in following pages.

Explanation Table Number 1

In the following table, Montana employers have been divided into 33 groups according to the industries which they represent. Figures in the columns, "Amount of Contributions," shows the amounts which the employers in each group have paid in contributions to the Unemployment Compensation Fund each of five fiscal years beginning July 1, 1939, and totals for five years.

The columns, "Benefits Paid," represent amounts which would have been charged against the employers in these industrial groups, if benefits paid to claimants were charged to their most recent employers as of the time they filed their claims.

Figures for the last two years show graphically the effect of the war on unemployment. For these years, ratios of benefits to payrolls were not tabulated because none was as high as 1 per cent and the most were but a minor fraction of 1 per cent.

TABLE NUMBER 1—(For explanation see page 39)

Ind.	July 1, 1939 to June 30, 1940	July 1, 1940 to June 30, 1941	July 1, 1941 to June 30, 1942	Contribution of Profits			
				Ratio to Profit's per cent)			
Total all Industries	\$2,583,841	\$2,956,594	\$114.4	3.1	\$2,787,742	\$2,972,225	106.6
MINING	526,222	694,424	131.9	3.6	638,707	750,575	117.5
Metal Mining	143,310	495,461	119.5	3.2	513,566	558,991	108.7
Cod. Mining	47,442	126,892	267.4	7.2	48,912	128,990	263.7
Petroleum & Natural Gas Prod.	56,491	136,045	63.8	1.7	66,708	38,442	59.6
Non-metallic Mining	779	1,026	45.1	0.6	95.2	25.0	7.0
CONSTRUCTION	183,704	720,079	391.9	10.6	175,504	599,065	34.8
Contractors, Building	48,371	162,148	335.2	9.1	48,368	118,821	247.0
Gen. Contr's, other than Bldg.	94,404	467,733	495.4	13.4	83,430	402,740	482.7
Cont'd., Spec. Trade, (plumbing, heating, electrical, painting, etc.)	40,929	90,198	220.3	6.0	43,706	77,504	177.3
MANUFACTURING	529,929	503,219	95.0	2.6	602,607	455,727	75.6
Food Manufacturing	139,251	259,129	186.0	5.0	149,877	212,448	141.7
Lumber Manufacturing	87,997	150,036	170.5	4.6	117,045	137,795	119.7
Printing and Publishing	54,918	116,222	21.1	0.6	56,020	13,828	24.6
Petroleum Products, Mfg.	35,503	15,607	43.9	1.5	36,476	16,733	45.8
Non-Ferrous Metals (Smelt, & Rfg.)	171,181	15,970	9.3	0.3	191,393	31,703	16.5
Miscellaneous Manufacturing	40,333	52,605	126.0	3.4	43,794	42,322	80.3
TRANS. COMMUN. & UTILITIES	142,513	63.3	1.7	238,057	135,473	56.9	1.5
41-45 Trans. (except railroads)	60,278	62,964	104.4	2.8	64,547	59,664	92.4
46 Telephone & Telegraph	44,292	14,313	32.3	0.9	46,756	18,224	38.9
48-49 Utilities (Public Services)	120,437	65,236	54.1	1.5	126,754	57,585	45.4
50-52 WHOLESALE & RETAIL	818,963	693,607	84.4	2.3	840,762	77,005	92.4
Wholesale Trade	273,274	151,233	55.3	1.6	276,700	151,464	54.7
Retail Trade	398,588	284,078	71.2	1.9	412,223	289,605	70.2
Eating and Drinking Places	105,751	212,616	200.6	5.4	106,116	293,158	276.2
Filling Stations	41,550	46,130	111.5	3.0	45,723	42,778	93.5
FINANCE, INS. & REAL ESTATE	98,415	28,188	23.1	0.6	101,473	22,017	21.6
Banks and Trust Companies	34,800	1,160	3.3	0.09	43,438	630	1.5
Security Dealers & Invest. Banking	1,533	1,025	66.9	1.8	1,511	836	55.3
Finance Agencies, nec*	13,663	3,663	28.1	0.8	12,069	2,929	24.3
Insurance Carriers	20,557	2,618	12.7	0.3	18,084	2,920	16.1
Ins. Agents, Brokers, & Services	56,082	1,324	26.1	0.7	50,099	1,415	28.2
Real Estate	16,176	9,908	61.3	1.7	13,774	11,454	83.2
Insurance, Loans, Real Estate, Law Offices, Any Combination	7,203	3,120	43.3	1.2	7,588	1,833	24.2
SERVICE	189,439	176,806	93.3	2.5	188,728	223,861	3.2
Hotels and Rooming Houses	41,575	33,057	177.0	4.8	41,575	84,089	202.2
Business & Repair Services	46,037	33,777	73.3	2.0	46,208	46,996	101.7
73-79 Motion Pictures & Amusements	25,651	18,001	70.1	1.9	26,292	19,404	73.8
80-86 Professional & Social Services	47,314	30,143	104.4	2.2	42,092	15,500	4.3
MISCELLANEOUS nec*	12,907	21,270	44.9	1.2	47,510	31,280	65.8
			24.2	0.7		8,503	446.5
						1,904	12.1

* Not elsewhere classified.

TABLE NUMBER 1—(Continued)

	July 1, 1942 to June 30, 1943	July 1, 1943 to June 30, 1944	GRAND TOTAL FOR FIVE YEARS
Ind.			
Total all Industries	\$ 3,606,826	\$ 186,047	\$ 3,792,873
MINING	969,745	25,171	994,916
Metal Mining	15,543	1.9	16,050
Cocoi Mining	99,305	6,844	105,547
Petroleum & Natural Gas Prod.	65,709	1.2	95,247
Non-metallic Mining	17,858	1.6	21,791
CONSTRUCTION	354,155	8.7	180,552
Contractors, Building	117,112	10.5	11,325
Gen. Contr's, other than Bldg.	191,363	8,470	53,089
Contr's, Spec. Trade (plumbing, heating, electrical, piping, etc.)	5,592	12.2	42,524
MANUFACTURING	838,025	30,876	890,676
Food Manufacturing	173,292	11,554	198,910
Lumber Manufacturing	173,201	6.5	201,229
Printing and Publishing	52,682	3,038	54,979
Petroleum Products, Mag.	49,202	5,944	47,548
Non-Ferrous Metals (Smelting, & Rtg.).	317,612	1,838	283,554
Miscellaneous Manufacturing	72,036	2,654	104,536
TRANS., COMMUN., & UTILITIES	276,051	2.7	290,394
41-45 Trans. (except railroads)	105,758	1,891	116,339
46 Telephone & Telegraph	55,551	1.5	61,899
48-49 Utilities (Public Services)	114,742	4.1	112,156
WHOLESALE & RETAIL	844,402	67,016	917,355
50-52 Wholesale Trade	284,108	22,541	21,807
53-57 Retail Trade	391,068	23,842	7,144
Eating and Drinking Places	324,506	6.1	417,040
Filling Stations	19,223	15.4	154,250
FINANCE, INS., & REAL ESTATE	44,720	1,412	41,226
Banks and Trust Companies	97,928	3,601	106,739
Security Dealers & Invest. Banking	45,153	518	48,437
Finance Agencies, nec*	991	21.9	780
Insurance Carriers	8,306	24.3	8,393
Ins Agents, Brokers, & Services	17,679	4.45	18,435
Real Estate	4,543	3.05	3,765
Insurance, Loans, Real Estate, Law Offices: Any Combination	14,303	1,740	12.2
SERVICE	6,953	132	1.9
Hotels and Rooming Houses	224,750	25,193	117
Personal Service	43,775	10,902	221,716
Business & Repair Services	56,202	4,917	46,294
Motion Pictures & Amusements	32,552	2,466	61,128
Professional & Social Services	65,509	2,136	31,348
MISCELLANEOUS nec*	65,712	4,772	1,444
	1,718	196	679
Amounts of Contributions			3.5
Ratio to Contib's (per cent)			69,354
Benefits			1,040,205
to Party or Benef.			307,716
(per cent)			384,971
Ratio to Contib's			520,714
to Party or Benef.			1,070,814
(per cent)			203.1
Amounts of Contributions			1,040,205
Ratio to Contib's (per cent)			307,716
Benefits			384,971
to Party or Benef.			520,714
(per cent)			1,070,814
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"Equitable" Rating of Employment Risk

In order to "equitably rate the unemployment risk and fix the contribution to the fund for each employer or industry," it would be necessary to find that employers are responsible for unemployment. The question implied in the legislative directive is, "Who is responsible for unemployment?" Properly stated, the question should be, "Who or what is responsible for unemployment?" If an employer alone could be justly charged with the responsibility of unemployment, then it would be comparatively simple to assess against him the proportionate share of the costs of the unemployment compensation program, but in very many cases—probably the majority of cases, especially in Montana—it is not upon **whom** the responsibility for unemployment can be placed, but upon **what**.

Much Employment In Montana Is Seasonal

A study of the graph on page 22 shows very clearly the seasonal character of employment in most of Montana's major employment groups.

Based on past figures, one very important industrial group—that of construction—is a notoriously bad job-insurance risk. Those employers who follow the construction trades are generally good employers; they are willing to hire as many workers as their jobs warrant; they are willing to keep these workers as long as there is work for them to do. However, the cost and difficulties of constructing a highway or building or painting a house in mid-winter are such that, for the good of all concerned, this type of work generally is reduced to a minimum in the cold weather seasons and approaches its maximum in more favorable weather.

The responsibility for the variation of employment given by a construction employer under these conditions cannot be blamed upon the whims of the employer. The responsibility for this unemployment properly belongs upon the elements. With the wide variation in temperatures between summer and winter in Montana, the State cannot avoid a pronounced seasonality in many of its industries.

One of Montana's important resources is its coal deposits. Montana's coal provides heat and warmth for many Montana people. It provides employment for many Montana people. It is a sizable industry in which Montana money is invested and is a very definite asset to the State. During the hot days of summer, householders do not burn coal in anywhere near the proportions they do during January. Thus, in the summer season, there is a cessation of activity around most of Montana's coal mines. It would be of financial advantage to the employers if they could stabilize their industries and employ a uniform number of per-

sons each month of the year, and avoid the idle time for expensive machinery. If such a system could be devised, it is logical that the coal mining industry would have adopted it long before this but, again, the responsibility for the unemployment in the coal industry in the summer time should not be placed upon the personal inclination of employers so much as upon the weather.

Economic Developments Frequently Affect Employment

Even weather, or seasonality, is not always to blame for unemployment in a particular industry. Referring to the coal mines again, technological developments may also share the blame. For instance, up to a comparatively few years ago, coal and wood were the principal sources of heat and power in Montana. Houses and business offices in virtually all the State's towns and cities were heated with either coal or wood. As a consequence, during the winter, great numbers of miners were kept busy producing the coal supplies needed. Other employees were busy on the railroads and with trucks and drays distributing the coal from the source of production to the points of consumption. Without respect to the wishes of the coal mine operators or fuel dealers or their employees, and entirely independent of them, there was discovered in Montana a new source of fuel; i.e., petroleum and natural gas. Without regard to the effect it would have upon the coal industry, petroleum replaced coal as a heating fuel in many homes, offices, industrial establishments, and on at least one major railroad in Montana. Petroleum's by-product, gas, was piped into several of Montana's larger cities, and thousands of buildings which formerly were heated with coal are now being heated by gas.

The reduction in consumption of coal resulted in a reduction of the number of workers needed in the production and distribution of coal. Should the employers, who thus lost these markets, also be charged with the responsibility of the unemployment which resulted and over which they had no control?

During the year just passed, Montana has experienced a minimum of unemployment. Probably at no time since it has achieved statehood has it experienced as nearly a complete utilization of its labor as it has during the past year.

War Has Directly Affected Montana Employment

Benefit payments have been at an extreme minimum. If there had been an experience rating law in this State, the charges to individual employers would have been negligible, but can any employer in the State honestly declare that he is responsible for this situation? Can any employer say that it has been only through his will or desire that his employees or former employees did not draw benefits? It was not due to any employer's will that one of

his workers who may have left his employment found another job immediately.

More than fifty thousand of the State's workers were drawn out of the State into the armed forces. Many thousand more were taken from the State to work in defense plants elsewhere. Those who remained found more opportunities for employment than they could accept. By any stretch of the imagination it is not conceivable that any employer in Montana could have directed or changed the forces which brought this situation about.

Some day there will be no need for this tremendous armed force. Some day many of our war factories will close. Some day our service folk and defense workers will become unemployed from their present occupations and will be seeking new jobs. If the number of job seekers exceeds the number of jobs and considerable unemployment exists in Montana, can the responsibility for such unemployment be fixed on any employer or group of employers in Montana?

Just Determination of Responsibility Usually Impossible

These are only a very few of the innumerable instances where the employer is helpless, in the face of economic conditions, to do very much about either the number of people he employs or the length of employment which he can give.

There may be a few employers who, by willing it, could add a few more people to their payrolls or who, because of personal temperament, lay off more workers than necessary, but the number of workers thus affected is so small that if every employer in Montana employed at the maximum capacity warranted by his business at all times, the employed worker totals for any month would be very little different from the actual employed worker totals of the past and present.

Even if employers properly could be charged with the responsibility for unemployment, it would be very difficult, often-times, to determine which employer is responsible for the unemployment of an individual worker. Therefore, it would be very difficult justly to charge back to any individual employer's account the amount of benefits drawn by an unemployed worker.

The broad assertion may be made that the last employer should be charged with the unemployment of an individual worker on the grounds that if the last employer had not laid off the worker, the worker would continue to be employed indefinitely. A brief examination of this assumption indicates some of the errors therein. Likewise, fixing the responsibility for a worker's unemployment equitably against any of his other previous employers is often very difficult, if not impossible. A hypothetical example will illustrate some of these difficulties.

Hypothetical Case Illustrates Difficulties

Under the Montana law, the amount of weekly benefits which an unemployed individual may draw is based on the wages received in the first four of the last five completed calendar quarters immediately prior to the date his first claim is filed. For example, if the worker filed for benefits on January 2, his base year upon which his benefits are determined would be from October 1, 15 months before, to September 30, three months past. The months of October, November, and December just prior to the filing of the claim would be the "lag" quarter.

Following is the hypothetical case of claimant Jones. This is not a typical case; neither is it overdrawn. Such a case is not only possible, but probable, and similar situations have arisen many times. The assumptions are not intended as a commentary either on employer practices or on the reliability and industriousness of the employee. It is entirely possible that any and all of the situations imagined could arise and probably do arise.

It is assumed that claimant Jones became unemployed and filed a claim for benefits on January 2, 1942.

Below is the work history as supposedly reported by the employers of the imaginary Jones during the five quarters immediately preceding the date he filed his initial claim, the subsequent determination of his claim, and the total of benefits drawn:

Date initial claim filed—January 2, 1942.

Base period—October 1, 1940, to September 30, 1941.

Lag quarter—October 1, 1941, to December 31, 1941.

Earnings in highest calendar quarter in base period—\$360.

Total earnings in base period—\$1,360.

Earnings qualify claimant for weekly benefit amount of \$15.

Jones' benefit year is from January 1, 1942, to January 1, 1943. In this hypothetical case, it is assumed that examination of the records in January, 1943, revealed that he had drawn the maximum of 16 checks of \$15 each, or \$240, within the benefit year.

Tabulation of Claimant's Work History

Following is Mr. Jones' work history in tabulated form:

Employer	Dates of Employment From	To	Wages Paid Claimant	Reasons for Claimant's Separation from Jobs
A	10-1-40	10-31-40	\$100	Claimant left to take job nearer his home, with B.
B	11-1-40	3-31-41	\$500	Left to take job with higher pay, with C.
C	4-1-41	6-30-41	\$360	Job scheduled to finish in 2 weeks; left to take permanent job with D.
D	7-1-41	9-30-41	\$400	Quit because he was offered higher pay with E.
*E	10-1-41	12-15-41	\$375	Foreman had personal grudge against claimant; claimant summarily dismissed without cause.
*F	12-15-41	12-31-41	\$ 50	Only two weeks' job to begin with; job finished and claimant laid off.

*In "lag" quarter.

From October 1, 1941, to December 31, 1941, claimant Jones had two employers. This was in the lag quarter; consequently, the wages received during that time were not taken into consideration when figuring the amount of his benefits.

Last Employer Would Be Overcharged

Under an experience rating system, this \$240 which the claimant drew would be charged back to one or more of his employers since October 1, 1940. Theoretically, this amount would be charged back to the employer who is responsible for the claimant's unemployment. Employer "F," the most recent employer, will object strenuously to this charge, because he customarily employs one person at a salary of \$1,200 a year. At this particular time, however, he had had a short job of two weeks, and in order to get the job done and, incidentally, to provide the claimant with employment for even a period of two weeks, he employed Jones and paid him \$50 for his services, letting him go when the job was completed and he had no further use for him.

Employer "F"'s customary payroll tax to the unemployment compensation fund amounts to \$32.40 a year. If the entire amount of claimant Jones' benefits were charged to Employer "F", it

would be more than seven years, at his regular rate of tax payments, before Employer "F" would repay the amount of the benefits charged to him, all because he gave a friend two weeks of work.

Each Employer Has Grounds for Protest

Taken in sequence, each of claimant Jones' former employers legitimately could object to the acceptance of the charge-backs for the claimant's benefits, with the possible exception of Employer "E". Employer "A" could maintain that the claimant might not have become unemployed had he retained his job with "A", and that the employment would have been continuous and permanent. Claimant Jones felt, however, that it would be better for him to take a job more convenient to his home, so he accepted a job with Employer "B" at the same salary of \$100 a month. This continued for five months, whereupon Employer "C" offered the claimant a salary of \$120 a month and the claimant left Employer "B", although Employer "B" would have continued to hire him and the claimant would not have become unemployed.

The job with Employer "C" developed to be a temporary one, scheduled to close in a short time; therefore, the claimant voluntarily left to accept a job offering a greater prospect of permanence, with Employer "D". This was against the desires of Employer "C".

Again, the claimant left Employer "D" to take a job of higher pay with Employer "E". There, through no fault of his own, he again became unemployed.

On the basis of his quarterly earnings with every employer except Employers "C" and "E", claimant would be entitled to receive a weekly benefit amount of \$12, totaling, for the 16 weeks, \$192, instead of the \$240 which he received on the basis of wages earned from Employer "C".

Each Employer Can Deny Responsibility

Employers "A", "B", "D", and "F" seem to have some justification in the complaint that they should not be required to pay benefits on the basis of higher wages offered by other employers which tempt their employee away from them. Each employer might honestly deny the responsibility for the ultimate unemployment of the claimant.

Both "E" and "F" have legitimate objections to sharing in the costs of the claimant's benefits, because these benefits were based on wages paid in the base period during which they gave no employment to the claimant. They could argue that if charge-backs were made on the basis of employment given both during

and after the base period, they could be charged twice for benefits calculated on only one period of employment. That is, Employer "E" and Employer "F" would be charged for benefits received by the claimant during the benefit year beginning January 2, 1942, when these employers were out of the base period. Then, if the claimant filed again in the first quarter of 1943, wages received from "E" and "F" in 1941 would be in the new base period and they would be charged again for benefits the claimant might draw in the new benefit year.

Case Becomes More Complicated

If these complications are not sufficient, they could be complicated further by still another employer, "G", giving the claimant a temporary job during the claimant's benefit year. Should the charges originally assessed against Employer "E" as most recent employer now be transferred to Employer "G", or should any portion of benefits which the claimant has drawn be charged to Employer "G"? From the beginning of the claimant's base period (October 1, 1940) to the end of his benefit year (January 1, 1943) is two years and three months. It could have been longer if he had filed later in the first quarter of 1942. In those years the claimant could have had many employers, both in and out of the base period, some covered by the law and some not. Surely Solomon, with all his wisdom, would be put to it to devise a law which would, without fail, assess benefit charges justly against the employer responsible for the claimant's unemployment.

In view of the fact that all but a negligible part of the causes of unemployment are beyond the control of the individual employers, it is hopeless to expect employers to be able to overcome these causes, either by threatening them with the penalty of increased taxes or tempting them by an offer of decreased taxes, to maintain year-around, full-time employment. If by their own volition employers could operate with full crews all year, prospective profits from maximum operations would be a much greater incentive for full employment than would a possible saving in taxes.

Desirability of Stabilization Questionable

Then there is the question of stabilization of employment. Aside from the virtually insuperable obstacles before individual employers permanently to attain it, its practical desirability in Montana is questionable.

There are two extremes of stabilization of employment. One is stabilization on the basis of minimum employment; that is to say, in periods when jobs are scarce and workers plentiful, employers, by very careful employment practices, could refrain from

discharging present employees and from hiring additional employees to take care of peak loads or for temporary jobs, thereby assuring those workers who had jobs of continuous, permanent employment. Stabilization at such a level would preclude the mass of surplus workers from obtaining even temporary jobs, and thus, there would be created a permanent class of employed workers and another class of permanently unemployed.

Employment Now

Stabilized Temporarily

During the past two years of war, stabilization of employment at the other extreme has been experienced in Montana. Virtually every available worker has a job. Because there are more jobs than workers, only those jobs which at present are considered essential or critical have been done. Disregarding the difficulties of obtaining material, etc., in the face of the war effort and under present maximum stabilization of employment, it would be very difficult, if not impossible, to carry out a sizable program of construction, for instance. Building of homes in any number, construction of highways, establishing new industries are virtually out of the question because of lack of manpower. Furthermore, the seasonal industries upon which Montana depends so directly suffer from this stabilized employment at the maximum. It has been necessary to import war prisoners, Mexican Nationals, and others to plant and harvest many of our crops. If there were a tourist business, the people in Montana could not take care of it because of lack of manpower to operate hotels and camps and to maintain roads, etc.

These are two extremes of stabilization, but anything between the two extremes would not be stabilization in a strict sense.

What Montana employers have done and still do is to employ as many workers as their businesses will warrant, for as long periods as they can. What Montana needs to attain full employment is not so much a tax-reduction incentive to offer employers, but some means of overcoming seasonal, national, and international handicaps, thereby permitting Montana employers to employ more workers and for longer periods of time.

With Montana's present population, and under the State's present stage of economic development, the establishment of new industries to provide for the employment of from 25,000 to 30,000 persons during the winter months would virtually solve Montana's unemployment problem. This Commission cannot suggest what such industries might be. It does not know whether such a development is possible or impossible, but if anyone or any body can accomplish such a thing, the necessity for any unemployment compensation program with its payroll tax will be almost entirely eliminated.

Montana Industries Are Inter-Dependent

A vast community of interest prevails among Montana industries. The prosperity of one is most usually reflected among others. Conversely, its misfortune affects its neighbors. A busy mine makes business for merchants, bankers, and dentists in the neighborhood. A profitable farm crop results in business for the plumber, the garage, the theater. Employers maintain commercial clubs in their towns to promote business for the industries in their localities. They will contribute from their own pockets to entice new industrial enterprises into their communities. They will give generously to promote the building of highways, bridges, or dams which will benefit their localities. They are just as quick to contribute funds to forestall a menace to existing industries in their communities.

The reflection of the prosperity of one industry through others in a community is accomplished principally through the medium of wages paid for employment. Wages are the economic lifeblood not only for those who work for them, but finally, also, of the industries in the communities where they are paid.

In Montana, all industrial employers contribute an equal portion of their payrolls into a common fund as insurance against the hazard of unemployment and its paralyzing effect. Thus, the employer who is so fortunate as to be in a business not subject to the extremes of fluctuation assumes a part of the community responsibility of helping to support valued industries which, because of circumstances beyond their control, cannot avoid employment fluctuations.

Unemployment compensation cannot change the seasons nor perform the magician's feat of pulling rabbits or jobs out of a hat. It can and does provide, in times of unemployment, a transfusion of economic plasma when the flow of economic lifeblood falters.

SUMMARY OF FEDERALIZATION ATTEMPTS

Since social security legislation was first proposed in America, the question as to whether it should be administered by the various states or by the federal government has been a matter of debate.

The basic outline of the present social security program, including unemployment compensation, was prepared by a Committee on Economic Security created by executive order of the President. The committee was composed of five members of the President's cabinet. It employed a staff, including some of the outstanding experts in this field, and was assisted by the Technical Board of Economic Security consisting of 20 people within the government service. The Committee created seven other advisory groups, in addition to an Advisory Council on Economic Security appointed by the President. These groups were composed of representatives of employers, employees, and the general public outside the government service. After a most exhaustive study, its report was prepared and submitted to the President.

Of unemployment compensation the report said:

"We believe that the States should administer unemployment compensation.

"The plan for unemployment compensation that we suggest contemplates that the States shall have broad freedom to set up the type of unemployment compensation that they wish. We believe that all matters in which uniformity is not absolutely essential should be left to the States."

On January 17, 1935, President Roosevelt transmitted the report to Congress recommending the passage of the legislation proposed therein. In his message to Congress he said:

"Excepting in old-age insurance, actual management should be left to the States subject to standards established by the federal government.

"States will largely administer unemployment compensation, assisted and guided by the federal government."

States Supposed to Make Own Laws

In testifying before the Senate Committee of Finance in support of the bill, Secretary of Labor Frances Perkins, Chairman of the Committee on Economic Security, said:

"We recommend a state system of unemployment insurance."

"The state should be free to make any kind of a law it wants."

"Our recommendation is that rather than a national system, there should be state insurance systems under laws by the states."

The bill was passed essentially as proposed and thus a state system of unemployment compensation administration was incorporated as a basic principle in the social security program.

Since that time there has been persistent and almost continuous opposition from some quarters to state administration of unemployment compensation. This opposition is apparent in intermittent attempts which have been made to change the original plan of state administration. Unfortunately, all these attempts have not been frankly labelled as such. Devious measures often have been employed.

Under the law, the Social Security Board was charged with the duty of determining whether or not unemployment compensation laws adopted by the various states met with the comparatively simple requirements of the federal law.

Board Prepared

"Draft" Bills

First efforts to nullify state authority in administration of unemployment compensation were made by the Social Security Board, which sent the states "draft" bills of its own composition for adoption by the states, and the Board's representatives insisted upon the acceptance of the bills in substantially their original form under penalty of being disapproved if passed otherwise. Following adoption of unemployment compensation laws under the approval, and sometimes largely under the direction, of the Board, the autonomy of the states on administration of the laws so enacted was further threatened by a vast number of detailed rulings by which the Board attempted to assume authority which Congress did not give, nor intended to give to it.

Reduction of unemployment, not the payment of benefits, has been declared as the prime objective of the unemployment compensation program. Therefore, a public employment service was established as an integral part of the unemployment compensation plan. Each state, through federal cooperation, had its own employment service operating under the direction of the administrator of the unemployment compensation law. The state employment service not only operated a systematic job placement service, but handled the claims taking details for unemployment compensation.

State employment service has been a favorite point of attack for those seeking to federalize the entire program. Federalization of the employment service involved less perplexing problems and

the prospect of less determined opposition. However, with one integral part of the unemployment compensation system completely federalized, the prospect of federalizing the remainder would appear much brighter.

"And Elsewhere"

Clause Inserted in Bill

The thin point of the first legal wedge which could split the employment service from unemployment compensation consisted of two simple words—"and elsewhere." Legislative affairs of the District of Columbia are directly in the hands of Congress and appropriations for the District are made by Congress. The following provision was included in the Federal Security Agency (a bureau of the Social Security Board) appropriation law adopted by Congress on June 30, 1941:

"Provided further, that such portion of this appropriation as may be necessary shall be available to the Social Security Board for all necessary expenses incurred by the Board, including personal services in the District of Columbia **and elsewhere**, in connection with operation of employment office facilities and services essential to expediting the national-defense program."

The emphasis is ours. The words "and elsewhere" did not appear in the original bill nor were they considered in hearings on the bill before the House of Representatives nor the Senate. They were added on the Senate floor and the sponsor of the amendment did not discuss or explain the purpose of the addition. The record indicates that he merely stated that the amending words had the approval of the Office of Production Management, the Federal Security Agency (the Board's bureau), the Secretary of Labor and the Bureau of the Budget.

The bill with the amendment slipped through conference and thus a simple provision intended to finance the operations of the employment service of the District of Columbia, by the addition of two small words, became the legal authority by which the Social Security Board could establish a federal employment service wherever it pleased. Protests which arose from the states over the "and elsewhere" clause were met by assurance from Board officials that, although federalization of the employment service was under consideration, no decision had been reached whether such a proposition would be submitted to Congress and that if such a proposal were made, it would receive full consideration by a Congressional committee and that "there will be opportunity for presentation of all aspects of the issue."

Employment Service Federalized for War Period

However, on December 19, 1941, without previous warning, the President in telegrams to the governors of the states an-

nounced that the federal government was taking over the employment service of the states effective January 1, 1942. This confiscation was made in the name of national defense and Governor Sam C. Ford, although disagreeing with the need and desirability, accepted the President's telegram as an order from his commander-in-chief and released the state service to the federal government for the period of the war emergency.

The next move in the campaign to federalize unemployment compensation came one month later, on January 19, 1942, when Congress was asked to appropriate 300 million dollars and provide for federal war replacement benefits amounting to a maximum of \$24 per week for 26 weeks to be paid to workers thrown out of their regular employment while commercial industries were changing over to war production. It was requested that "the appropriation be made in such a way that the expenditures would be controlled by plans approved by the President." In spite of disavowals in the preamble of the bill and in spite of statements of the sponsors, including Federal Security Administrator Paul V. McNutt, the bill had all the specifications of another wedge to be driven between the states and their unemployment compensation systems. The bill was defeated in the House Ways and Means Committee on February 19, 1942.

The President recommended the Social Security Bill with its state unemployment compensation provisions to Congress January 17, 1935. On January 7, 1942, he recommended to Congress in his Budget Message "expansion of unemployment compensation in a uniform national system." Evidently, after seven years of experience and observation of the workings of the state-federal system of unemployment compensation, the President has changed his mind concerning the better method of administration. Certainly he cannot be censured for an honest reversal of opinion. However, there are many who as honestly disagree with his conclusions. The President's recommendation is referred to merely to indicate further that there is a definite desire among present federal administration officials to federalize the unemployment compensation program.

Divided Authority Hampers U. C. Functions

With the employment service federalized, claims taking, one of the most important functions of unemployment compensation administration, was taken from the actual control and direction of state administrators. Although procedures were set up through which state administrators could convey their desires to the United States Employment Service officials, actual direction of personnel doing that work was taken away from the administrators charged with the responsibility of properly administering the laws.

The unreasonableness of this situation soon became apparent and in the spring of 1942, Congress incorporated in the Social Security appropriation measure a provision enabling state administrators to place their own personnel in the larger offices for claims taking purposes.

During the summer of that year, a House Resolution completely to federalize the entire social security system was introduced, but was not acted upon. That fall the employment service was transferred from the Social Security Board to the War Manpower Commission under the direction of Commissioner Paul V. McNutt.

Numerous other bills have been introduced in Congress from time to time proposing to change the present federal-state plan of unemployment compensation. The most widely discussed of these was the so-called Wagner-Murray-Dingell Bill, introduced in both houses. This proposed a completely federalized social security program, including all phases of the present program with additions and enlargements thereon. The bill was introduced June 3, 1943, and is still pending.

Almost unanimously, state administrators have opposed federalization and, forewarned by past experience, they, individually and through their national organization, the Interstate Conference, have been on the continuous alert for attempts to confiscate state unemployment compensation systems.

In and out of Congress, opposition to federalization has been growing steadily. When Congress passed the Servicemen's Readjustment Act of 1944, commonly known as the "G. I. Bill," it directed the Veterans' Administration to make use of existing state unemployment compensation agencies in the handling of veterans' claims and in the paying of readjustment allowances provided for. During the past summer, various proposals were made to Congress to provide federal unemployment benefits exceeding both in amount and duration benefits allowed in most states for regular unemployment compensation. These proposals pointed definitely toward ultimate federalization. They were rejected by the Congress.

Early Return Of Employment Service Urged

The above is a brief chronological outline of the repeated efforts which have been made to place unemployment compensation under federal administration. Federalizers have succeeded in taking over the employment service. The service was released by the states with the understanding and on the stipulation that such would be a temporary loan to the federal government and that the service would be returned to the states at the conclusion of the war.

However, the states have received no assurance from the President that the service will be returned. This Commission is of the opinion that it should be returned as soon as practicable.

As an instrumentality of the War Manpower Commission, the United States Employment Service has ceased to exist as an employment service. It has been transformed into a regulatory body which attempts to tell employers whom and how many they shall hire and to direct employees where and for whom they may work. Perhaps this sort of regulation and direction is necessary in order to produce what is necessary in order to win the war. But the big job of recruiting workers has been done. The country has been combed for workers and the great bulk of the nation's labor force is employed. The number of unlocated workers is at a minimum. In order to get the war job done, the problem is no longer a matter of finding new workers but of most efficient distribution of workers presently employed.

Agencies Must Plan Now for Postwar Loads

This control over the labor force is justified only as a war measure and should end promptly as soon as military necessity permits. A public employment service integrated with unemployment compensation is a continuing need. No one knows when or how demobilization and reconversion will come, but it is coming and unemployment compensation agencies will be derelict in their duties if they do not plan and prepare for it. Proper preparation includes the reestablishment of the employment service as a community service under the direction of the unemployment compensation administration. It involves probably considerable reorganization of the service as it now exists and certainly preparatory training for its personnel in anticipation of the work to be done.

In May, 1944, the Commission asked 2,500 Montana employers, principally located in communities where employment service offices are located, whether or not they thought the employment service should remain under federal direction or should be returned to the states. Five hundred and twenty-nine employers replied. Of these, 346 favored a return of the service to the states, while only 37 favored federal control. The opinions of the remainder were indefinite and varied.

Under the mandate of Section 11-B of Chapter 233 of the Session Laws of 1943, the Commission has opposed all attempts to federalize unemployment compensation and is hopeful that the employment service will be returned to the states in time to prepare for the increased load which may be expected.

TO ELIMINATE WAGE REPORTING BY EMPLOYERS

One of the distasteful chores required of employers paying unemployment contributions is the reporting of the names, social security numbers of their individual employees each quarter and the amount of wages paid quarterly to each.

Under the wage reporting system installed by the Commission and used for several years, employers prepared a separate wage slip carrying the necessary information for each employee for each quarter. Thus, an employer with 100 employees prepared 100 separate wage slips each quarter and forwarded them to the Commission with the report of wages paid and contributions due. By maintaining a separate filing place for the wage slips of each worker, his wage reports, regardless of the number of jobs he had had and the number of times he had changed locations, were readily assembled, easily maintained and were readily accessible in the event he filed a claim for benefits.

This system worked out very satisfactorily, especially during the heavy claims periods of 1939 and 1940 when large percentages of workers were filing claims. During the past two years the claims load has been so reduced that the Commission felt that it could handle the current claims load and save much reporting time for employers by asking the employers merely to list their employees and remuneration as they do for the old age and survivors insurance reports for the Social Security Board. Therefore, it requested employers to report by lists instead of slips and advised employers that even carbon copies of the lists they had prepared for the Social Security taxes would be acceptable.

To Use Social Security Wage Records

The Commission also began an investigation of the possibilities of eliminating wage reports from employers altogether. Instead, if agreeable to the Bureau of Old Age and Survivors Insurance of the Social Security Board, it proposed to use the wage records of the Bureau.

The Bureau was most cooperative and interested and a tentative plan has been worked out toward this end. At present the plan is in the test stage. Thus far only two states, Montana and Utah, are testing the plan. The Commission is convinced that the plan is entirely workable and practical and that in a short time individual wage reporting by Montana employers can be eliminated. If it is successful, as anticipated, its operation will

result both in saving considerable time and annoyance for employers and in reducing administrative work for the Commission.

In addition to supplying individual wage reports currently, the Bureau proposes to provide the Commission with microfilm copies of its own employer contribution reports, showing details of wages paid by each employer. This will afford a means of checking employer reports received by the Commission against the reports received by the Bureau.

Coverage provisions of the Bureau are nearly the same as the coverage provisions of the Montana law, with comparatively few minor differences. It is recommended that, for the sake of uniformity and to permit better operation of the proposed reporting plan, the Montana law be amended to give identical coverage of employers with the Social Security law. The net result of such an amendment would be to add probably 200 or 300 smaller employers to the list of employers at present subject to the Montana law.

Seeks Authority To Change "Lag" Period

Since quarterly contribution reports from employers are not due at the Commission until a month after the end of each calendar quarter, when a claim for benefits is filed, wage records for the quarter immediately preceding the filing of the claim are seldom available. Therefore, the Montana law provides, by its definition "base period," a "lag" period of at least one quarter between the "base period" (the wage period upon which amount of benefits is based) and the date of filing a claim. The Bureau of Old Age and Survivors Insurance of the Social Security Board cannot guarantee to provide the Commission with required wage records within less than 5½ months after the end of a quarter. Therefore, to insure most satisfactory operation of the proposed plan, the Commission recommends that the Montana law be amended to authorize this Commission to stipulate a six-months lag period in place of the present three months in the event it is found advisable under operation of the new plan. Such a change, if necessary, the Commission believes, would result in no injustice to any claimant, would assist in the administration of the law, and could be effected with the least confusion at the time when claims are few.

STUDY BEGUN OF CLAIMANT REPETITION

The Commission has undertaken a study of 73,335 records of benefit claims initiated during the first five years of benefit paying experience. This represents approximately the number of separate, eligible claims filed during the period. It does not include a few thousand other claims received which were determined ineligible because claimants did not have any wage credits under covered employment or did not have sufficient earnings to qualify for benefits under the law.

Each of the above records studied represents the beginning of a new benefit claims series by a claimant having sufficient wage credits to qualify for benefits if he is otherwise eligible. A new claims series or benefit year may be commenced only once in 52 weeks. The initiation of a claim means the formal filing of a notice that the claimant is unemployed and that he claims benefits for which he is eligible. After the initial filing, the claimant has one year in which to draw his benefits. At the end of the year, all further rights to that claim series expire and in order to draw additional benefits, he must initiate a new claims series. At the end of his benefit year, his record may show that he actually has drawn no benefits or that he has drawn from one to sixteen checks in the claim series initiated.

53,324 Individuals

Claim Benefits in Five Years

The study for five years shows that 53,324 different individuals filed these 73,335 claims. That is, some individuals initiated claims only once during the five years, although each may have drawn several payments. Other individuals became unemployed and initiated claims series in two or more of the five years past.

In the table below, claimants are divided into groups according to the number of fiscal years in which they have claimed benefits. For convenience in tabulation, those individuals who have each claimed benefits in each of five years are designated as "5-yr. Claimants." Those who have initiated claims for benefits in each of four years out of five (irrespective of which four years) are designated as "4-yr. Claimants." Those claiming benefits in each of three years and of two years, and those claiming benefits in only one year, are respectively identified. The five years included in the study are from July 1, 1939, when benefit payments began, to June 30, 1944. The first year is from July 1, 1939, to June 30, 1940, the second year from July 1, 1940, to June 30, 1941, and so on.

Benefit Claims Initiated

	In 1st. Yr.	In 2nd Yr.	In 3rd Yr.	In 4th Yr.	In 5th Yr.	Total Claims Initiated	No. Indi- viduals Who Filed
By 5-yr. Claimants	60	60	60	60	60	300	60
By 4-yr. Claimants	344	346	346	307	65	1,408	352
By 3-yr. Claimants	3,322	3,358	3,305	262	103	10,350	3,450
By 2-yr. Claimants	8,920	9,479	4,568	444	219	23,630	11,815
By 1-yr. Claimants	14,911	12,432	8,583	1,093	628	37,647	37,647
Totals by years	27,557	25,675	16,862	2,166	1,075	73,335	53,324

As shown by the above table, 60 persons out of 53,324 involved filed for benefits in each of five years, so that 60 claims were initiated each year by this group, making a total of 300 claims initiated by the group in five years.

In the 4-year group, 352 different individuals initiated four claims each, for a total of 1,408 claims. However, an individual in this group did not necessarily file four years in succession. He may have filed in the first, third, fourth, and fifth years, for instance, or in some other combination. The same thing applies to the three and two year groups.

War Has Reduced Number of Repeater Claims

The effect of the war on unemployment is clearly reflected in the totals for the last three years of the period. For instance, if the unemployment situation had remained relatively unchanged from the first two years, undoubtedly many of the individuals in the three and four year groups would have continued to draw benefits for the full five years and the percentages of those who repeated their claims for benefits in the five, four, three, and two year groups would have been considerably larger, accompanied, also, by a very decided increase in the number who claimed benefits in only one year.

The following tabulation is a further analysis of the claims history of the five-year, four-year, three-year, two-year, and one-year claimant groups:

	5-Yr. Claimants	4-Yr. Claimants	3-Yr. Claimants	2-Yr. Claimants	1-Yr. Claimants
No. Individuals in Group	60	352	3,450	11,815	37,647
No. Claims Initiated, 5 yrs.	300	1,408	10,350	23,630	37,647
Average Weekly Benefit Amount	\$12.31	\$11.48	\$12.21	\$11.20	\$10.57
Av. No. Payments Drawn Per Claim Initiated	11.3	10.5	10.4	10.1	9.2
No. Claims Initiated on Which 16 Payments Were Drawn	117	509	3,657	9,002	13,510
No. Claims Initiated on Which No Payments Were Drawn	11	116	1,020	3,070	6,994
Total No. Payments Drawn, 5 yrs.	3,393	14,743	107,501	239,133	347,946
Total Amount of Benefits Drawn in 5 yrs., By Group	\$41,773	\$169,349	\$1,312,109	\$2,677,392	\$3,679,074
Average Amount of Benefits Drawn Per Claim Initiated	\$139.24	\$120.27	\$126.83	\$113.30	\$97.72
Average Amount of Benefits Drawn Per Individual, By Groups	696.21	481.10	380.50	226.61	97.72
Per Cent of Claims on Which Benefits Were Exhausted	39%	36.1%	35.3%	38.1%	35.9%
Per Cent of Claims on Which No Benefits Were Drawn	3.7%	8.2%	9.8%	13.0%	18.6%

Due to the exceptional economic conditions prevailing during the past five years, data on normal expectancy of claimant repetition is not conclusive. As mentioned above, had economic conditions been different, claims histories would have been greatly altered. The fact that less than one per cent of the individuals who became unemployed in the past five years and filed for benefits found themselves unemployed in four or more of those years and subsequently filed for benefits four or more times indicates that repetitive filing has not been extensive. However, such may not have been the case, had economic conditions been otherwise.

To Study Case Histories Of Repeating Individuals

The Commission is engaged in case history studies of these repeaters and proposes to submit a more detailed report on this subject at a later date. It may be that in some instances, filing for benefits has become an annual habit. Information at hand, however, indicates that the number of such cases is exceptionally small. It may be significant that 40 of the 60 individuals who filed for benefits for five years in succession seemed to have stayed with the same respective employers for the full period. That is, an individual lists the same employer as his most recent employer in each of the five years. In one instance, 10 individuals gave

the same firm as most recent employer in each of the five years. The 10 individuals drew \$6,822 in benefits during the five years. This represents contributions on more than \$250,000 in wages paid by that single employer.

It would seem that when an individual works for the same employer only a part of each year and must depend upon unemployment compensation year after year for subsistence during the idle months, he has a precarious livelihood. It would be to his own interest to seek more stable employment. To say the least, that individual is not a good insurance risk in the light of sound insurance practice. On the basis of his insurability, the Commission feels that benefits available to the habitual repeater should be reduced, while maximum rates should be made available to those workers who are employed steadily and who only occasionally lose their jobs through no fault of their own.

VETERANS' ALLOWANCES OUTSTANDING EXAMPLE OF EFFICIENT FEDERAL- STATE COOPERATION

An outstanding example of efficient, low-cost administration and effective cooperation between federal and state bureaus is to be found in the administration of the veterans' readjustment allotment provisions of the so-called "G. I. Bill of Rights."

By direction of the Congress, the administration of the Act was placed in the Veterans' Administration, which was directed to utilize existing state agencies as far as possible. Accordingly, the Veterans' Administration has entered into agreements with the various state unemployment compensation agencies to handle the claims and payment of readjustment allowances to unemployed veterans.

In Montana, this extra work is being performed without difficulty and with little additional help. The Veterans' Administration will reimburse the Commission for funds and time spent in administering the law. It is estimated that in Montana, this work will be done by the Commission during the current year at a total personnel cost of less than \$2,500, with another \$2,500 needed for special supplies and forms required in inaugurating the program.

First benefit payments to unemployed veterans under this arrangement were made in September, 1944.

Montana Law Provides "Freezing" of Wage Credits

The need of any special legislation in Montana to provide for the payment of unemployment compensation to unemployed vet-

erans of the present war has been largely eliminated by this federal legislation. Section 15 (d) of the Montana Unemployment Compensation Law provided for the "freezing" of wage credits of individuals entering the armed forces and the payment of benefits to those eligible upon their return to civilian life. As pointed out in the Sixth Annual Report of the Commission and in the resolutions of the American Legion published therein, the Montana law did not make a fair provision for the returning service people. In fact, it would have been very difficult to do so under the Unemployment Compensation Law.

Probably not more than half of the people who entered the armed services from Montana had accumulated any wage credits in covered industry to freeze. Many had worked only in industries not covered, such as agriculture, government employment, and for their parents. Others entered the service directly from the school room. Under the Montana law, the result would have been that only those returning veterans who by chance had worked in certain industries previously would have been entitled to benefits, while probably as many others, just as patriotic and just as deserving in every way, would have been denied benefits simply through the chance of previous employment.

The federal government justly recognized this situation, which prevailed in nearly all states, and the public's obligation to the servicemen, and in June, 1944, Congress passed the Servicemen's Readjustment Act of 1944. Among other things, the bill makes unemployment compensation benefits available to all unemployed veterans who meet the specified eligibility qualifications, regardless of previous employment history.

Maximum Benefits to Veterans \$20 Per Week

Since the federal law provides a flat benefit rate of \$20 per week, less certain earnings of partially employed and self-employed individuals, and a maximum duration of 52 weeks, both amount and duration being greater than provided in the Montana law, it is expected that most veterans will draw their federal benefits in preference to the lesser state benefits. While drawing federal benefits, veterans will be ineligible for state benefits under the Montana law.

However, there are two general groups of veterans who would be ineligible for benefits under the federal law but would be entitled to state benefits in Montana, provided they had accumulated credits prior to entry into the service and otherwise were qualified. These two groups are composed of certain veterans who served in the armed forces for less than 90 days and others who received dishonorable discharges. In addition, there may be those veterans who prefer to draw state benefits before filing for any of their federal benefits.

ADMINISTRATIVE EXPENDITURES REDUCED

During the past two years, virtually all funds needed to defray administrative costs of the Commission have been provided by the federal government. Prior to January 1, 1942, the State provided funds for the purpose of matching federal grants to pay the administrative costs of the Employment Service, which was then a part of this Commission. When the Employment Service was taken over by the federal government for the duration of the war, all administrative costs were then borne by the federal government.

The 1941 Legislature appropriated \$26,042.52 to match federal funds for the biennium. On June 30, 1943, this Commission had an unexpended balance from State appropriation of \$22,845.82, which reverted to the General Fund of the State.

The Commission recommends that this legislative assembly make adequate financial provisions so that the Commission again may match federal funds when the Employment Service is returned to the State.

Due to the reduction in the claims load in the past three years, administrative costs have been materially reduced each succeeding year. The Commission now is operating with a minimum number of employees and at a functional cost which compares very favorably with other state unemployment compensation agencies.

Fire Losses Increased Costs

The reduction in administrative costs would have been considerably more this past year and during the present budgetary period except for the fact that a disastrous fire destroyed the office building in which the Commission was housed in January of 1944. While the Commission was exceptionally fortunate in being able to save most of its equipment and important records, the costs of moving to a new location and providing for supplies, furniture, and fixtures lost have been considerable. Some of the equipment lost has been irreplaceable up to the present, due to the war emergency, but funds have been encumbered in the past year's budget to replace a portion of this equipment when it is available. It is expected that other equipment lost will be replaced out of the present and future budgets, if possible, when it is needed.

In addition to the funds provided for the actual operation of the unemployment compensation functions of this Commission, other funds are provided to the Commission by the War Man-

power Commission and the Veterans' Administration for the payment of services rendered to them, but, of course, these funds are not charged against the operating expenses of this Commission.

Leases on offices occupied by the War Manpower Commission in Montana are held by this Commission, and through an arrangement with the War Manpower Commission, these leases are paid by the Unemployment Compensation Commission through funds furnished by the federal agency. Likewise, funds to defray the cost of supplies, personal services, and overhead necessary in the handling of veterans' readjustment allowances will be furnished by the Veterans' Administration.

Below is a report of the administrative expenditures for this Commission for the fiscal year July 1, 1943, to June 30, 1944:

REPORT OF ADMINISTRATIVE EXPENDITURES
Fiscal Year July 1, 1943, to June 30, 1944

Category	Expenditures
Personal Services	\$ 89,876.68
Supplies	4,046.10
Communication Services	1,052.51
Travel	8,448.40
Rent of Premises	4,075.00
Other Current Expenses	6,300.90
Equipment	4,107.50
Expenditures—Due to Fire January 9, 1944	4,184.32
<hr/>	
Total	\$122,091.41

(The above report includes \$1,189.27, which is the Commission's share of Joint Merit System expense.)

In addition to the expenditures shown above, the Commission disbursed for the United States Employment Service a total of \$19,439.06 from a budget of \$28,215.00 allotted by the federal government for the rental of office space, heat, light and water, and other incidentals for the use of the United States Employment Service.

**BENEFIT PAYMENTS HIT PROBABLE
MINIMUM**

It seems quite probable that benefit payments to unemployed workers during the year ending June 30, 1944, will be the smallest which may be anticipated in the foreseeable future. In each of the first two years of benefit-paying experience, benefits paid out totaled nearly three million dollars. In the midst of the third year,

TABLE NUMBER 2

Status of State Funds

[Based on data reported by State agencies,¹ corrected to Aug. 2, 1944]

State	Month and year benefits first payable	Funds available for benefits as of June 30, 1944 ²	Amount of benefits paid for each \$1 collected						Funds available at end of year as percent of wages under \$3,000 during year ⁴						Percent of employed covered workers who could be paid benefits for maximum duration out of funds available on June 30, 1944			
			Calendar year			Jan.-June 1944			As of June 30, 1944			1939			Since initiation of program ³			
			1938	1939	1940	1941	1942	1943	\$0.05	\$0.34	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	
Total	-----	\$5,403,082	\$0.74	\$0.55	\$0.61	\$0.34	\$0.30	\$0.06	\$0.05	\$0.34	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	
Ala.	Jan. 1938	54,636	1.25	.50	.49	.29	.25	.13	.04	.37	.33	.52	.6.3	.6.2	.6.0	.7.3	.56.4	35.9
Alaska	Jan. 1939	5,688	.64	.90	.32	.11	.02	.02	.02	.23	.20	.6.2	.5.4	.4.9	.6.1	.9.0	197.1	29.2
Ariz.	Jan. 1938	14,541	1.07	.70	.63	.35	.14	.01	.01	.35	.31	.3.7	.4.1	.4.9	.5.2	.7.0	76.2	82.8
Ark.	Jan. 1939	22,249	.53	.88	.57	.16	.07	.05	.05	.35	.28	.6.4	.5.5	.5.3	.7.9	.64.3	27.2	45.3
Calif.	Jan. 1938	535,718	.38	.50	.85	.57	.31	.04	.07	.34	.31	.8.3	.7.7	.7.4	.8.8	.11.0	66.6	33.9
Colo.	Jan. 1939	27,798	.69	.89	.43	.14	.03	.03	.03	.39	.29	.6.9	.6.0	.6.1	.8.3	.79.7	7.7	34.4
Conn.	Jan. 1938	138,842	.95	.31	.27	.11	.12	.02	.03	.20	.18	.4.8	.6.1	.6.4	.8.2	.11.63.6	35.9	41.0
Del.	Jan. 1939	13,158	.30	.35	.19	.08	.06	.06	.06	.25	.18	.8.2	.8.1	.8.7	.7.8	.11.74.3	34.4	41.0
D. C.	Jan. 1938	40,627	.26	.21	.37	.33	.14	.07	.07	.23	.20	.8.2	.8.7	.9.5	.10.9	.13.3	62.8	24.4
Fla.	Jan. 1939	39,831	.54	.98	.68	.51	.07	.03	.03	.43	.35	.6.2	.4.9	.4.8	.5.7	.52.1	37.3	34.4
Ga.	do	60,703	.40	.51	.29	.39	.07	.03	.03	.28	.22	.7.1	.7.9	.7.1	.7.3	.78.3	32.4	41.3
Hawaii	Sept. 1938	15,085	.15	.14	.07	.06	.06	.01	.01	.08	.06	.7.5	.9.5	.7.9	.6.6	.9.1	52.2	85.8
Idaho	July 1939	11,059	1.10	1.03	.66	.26	.04	.03	.03	.49	.40	.4.0	.4.1	.4.2	.4.8	.8.2	33.4	34.2
Ill.	July 1939	42,749	.62	.35	.39	.13	.10	.07	.06	.37	.26	.7.8	.7.6	.7.9	.8.4	.5.8	57.4	8.7
Ind.	Apr. 1938	143,681	.49	.44	.22	.33	.07	.06	.06	.34	.29	.4.8	.5.4	.5.7	.6.0	.7.3	91.7	36.9
Iowa	July 1938	46,315	.64	.52	.29	.24	.05	.03	.03	.34	.27	.5.7	.6.0	.6.7	.8.4	.69.6	6.4	56.4
Kans.	Jan. 1939	40,440	.42	.44	.39	.26	.06	.06	.06	.25	.18	.8.4	.7.5	.5.5	.11.4	.12.7	111.6	32.9
Ky.	do	70,869	.44	.44	.20	.19	.07	.07	.07	.25	.19	.10.0	.11.3	.11.4	.11.7	.12.7	49.3	33.8
La.	Jan. 1938	55,557	.45	.60	.84	.72	.40	.07	.03	.41	.36	.6.3	.5.9	.5.4	.5.7	.6.9	47.7	39.4
Maine	do	27,446	1.43	.74	.85	.31	.16	.06	.06	.35	.26	.2.6	.2.7	.2.7	.2.7	.2.7	39.4	33.8

Md.	do	1.00	29	.16	.28	.26	3.9	4.5	5.0	5.8	7.4	45.0
Mass.	do	.75	53	.31	.46	.39	5.6	6.1	6.3	6.9	43.3	28.2
Mich.	July 1938	233,753	.68	.72	.52	.43	3.2	3.9	5.3	4.8	5.3	25.8
N.J.	Jan. 1938	63,874	.65	.64	.46	.39	5.1	5.2	5.3	5.4	6.7	59.0
N.M.	Apr. 1938	17,725	.28	.37	.30	.27	2.0	7.7	8.5	8.6	8.3	27.8
N.Miss.	Jan. 1939	124,588	.13	.15	.06	.04	.36	8.0	5.6	5.7	6.6	89.5
No.	July 1939	13,083	.33	.68	.34	.04	.32	.22	8.7	7.8	7.6	89.5
N.Mont.	Jan. 1939	20,419	.86	.19	.75	.12	.01	.28	6.0	3.7	3.8	83.5
N.Neb.	do	7,763	.90	.54	.17	.03	.07	.42	.35	5.5	5.7	40.6
N Nev.	Jan. 1938	17,765	.35	.87	.25	.07	.21	.18	8.6	9.6	10.1	11.2
N.H.	do	350,650	.32	.86	.49	.30	.02	.45	.33	5.9	4.8	5.4
N.J. Mex.	Dec. 1938	7,527	.86	.87	.46	.37	.00	.42	.38	4.0	4.3	5.2
N.Y.	Jan. 1938	722,880	.70	.69	.78	.29	.17	.03	.27	4.9	5.9	6.2
N.C.	do	81,465	.84	.39	.40	.29	.02	.02	.33	8.2	6.8	7.3
N.Dak.	Jan. 1939	4,087	.65	.72	.66	.48	.05	.03	.23	1.8	7.6	7.7
Ohio	do	380,734	.43	.42	.17	.27	.02	.02	.23	.28	6.9	7.1
Okla.	Dec. 1938	38,334	.76	.60	.39	.43	.07	.07	.38	3.5	4.1	4.9
Oreg.	Jan. 1938	52,568	.08	.71	.61	.29	.15	.02	.30	.29	3.6	5.0
Pa.	do	12,540,000	1.02	.69	.53	.24	.12	.03	.02	.29	4.4	5.0
R.I.	do	55,634	1.14	.70	.80	.27	.29	.00	.08	.43	4.9	6.4
S.C.	July 1938	30,476	.56	.54	.27	.29	.10	.06	.30	.25	6.2	6.4
S.Dak.	Jan. 1939	5,650	.35	.43	.26	.05	.05	.31	.20	7.6	8.1	8.2
Tenn.	Jan. 1938	58,515	.91	.73	.43	.38	.12	.06	.39	.35	4.6	4.7
Tex.	do	124,454	.43	.47	.45	.36	.20	.03	.30	.25	6.3	7.2
Utah	do	19,298	1.18	.63	.61	.47	.22	.01	.04	.35	3.8	4.1
Vt.	do	9,783	.38	.38	.68	.27	.17	.05	.03	.29	6.0	6.3
Va.	do	52,594	.68	.44	.69	.30	.21	.08	.01	.36	5.3	5.2
Wash.	Jan. 1939	105,186	.69	.87	.39	.11	.01	.07	.33	.19	6.2	5.4
W.Va.	Jan. 1938	55,748	1.35	.42	.38	.26	.21	.08	.07	.34	3.9	5.2
Wis.	July 1936	131,061	.88	.24	.37	.22	.25	.03	.05	.22	8.8	7.7
Wyo.	do	6,272	1.05	.83	.83	.50	.24	.01	.01	.40	.35	6.7
	Jan. 1939											

¹ Except interest, which is credited and reported by Treasury, and estimated percent of employed covered workers who could be paid benefits for maximum duration out of funds available June 30, 1944, under uniform benefit formula. See footnote 6.

² Sum of balances at end of month in State clearing account and benefit-payment account and in State account in Federal unemployment trust fund, ratio of cumulative benefits paid to cumulative collections; comparisons of ratios are valid only among States which initiated benefit payments at same time.

³ For 1939-42 data, wages under \$3,000 assumed to equal taxable wages in States where \$3,000 limitation was in effect, and, except for Nevada and Idaho, ratio of taxable wages to total wages for first full year in which the \$3,000 limitation was in effect was applied to annual wage totals for previous years; or Nevada and Idaho data, for 1939-41, the 1941 United States ratio between taxable and total wages was applied to the annual wage total, and for 1942, the 1942 United States ratio was used.

⁴ Based on 49 States paying benefits Jan. 1, 1939.

⁵ Wisconsin ratio based on benefits and collections since Jan. 1, 1938. In Less than statutory maximum number of weeks used. See footnote 5 for assumptions used.

⁶ Data for June estimated.

⁷ Includes estimated data for Pennsylvania.

⁸ Based on 23 States paying benefits Jan. 1, 1938.

⁹ Based on 49 States paying benefits Jan. 1, 1939.

¹⁰ Wisconsin ratio based on benefits and collections since Jan. 1, 1938.

¹¹ Less than 0.05 cents.

¹² Employed covered workers as of Dec. 31, 1943; weekly payment equal to average weekly benefit for total unemployment, April-June 1944; all claimants assumed to receive maximum number of weeks of benefits payable under State law to claimant with assumed average weekly benefit amount; for Wisconsin, claimants assumed to have only 1 base-period employer.

¹³ Employed covered workers as of Dec. 31, 1943; uniform duration of 26 weeks and weekly benefit amount equal to 1/20 of high-quarter earnings—\$5 minimum, \$25 maximum; all claimants assumed to draw all benefits for which they are eligible.

¹⁴ Includes estimated data for Pennsylvania.

unemployment in Montana began to be definitely affected by the war, and payments dropped to a little less than one million, seven hundred thousand dollars. By the fourth year, the war had virtually eliminated unemployment as a statewide problem in Montana, and increased income through larger payroll taxes was accompanied by a very great reduction in the amount of benefit payments.

In the fourth year, benefit payments amounted to a little over \$186,000. In the fifth year, they were still further reduced to \$88,000.

During the first five months of the sixth year of benefit payments, beginning July 1, 1944, there has been a slight increase in the number of claims and in the benefits paid to unemployed workers, and it is quite likely that under present conditions, benefit payments for the sixth year will exceed those of the fifth year, only they probably will not reach the proportions of even the fourth year unless there is a cessation of hostilities and the economic situation changes materially.

Benefit payments from July 1, 1944, to November 17, 1944, were \$18,758, compared with benefit payments of \$12,837 for the same period in 1943.

During the fiscal year ending June 30, 1944, 1,110 benefit claims were initiated with this Commission. The number of claimants receiving benefit checks each week ranged from a low point of about 30 to a high point of about 400.

The Commission has made repeated studies of claims received, and although there may have been a few persons who drew benefits without being entitled to them, so far as the information available to this Commission is concerned, all the people who drew benefits during the past year were qualified and eligible under the law. However, of the benefit group, the majority, because of age, sex, or physical defects, etc., were limited as to their employability. While all of these people earned wages under covered industry and thereby became eligible for benefits, very few were available or suitable for employment in industries which needed workers so badly.

It is the Commission's opinion, arrived at after seven years experience, that regardless of the employment possibilities, there will always be a small percentage of persons on the borderline of employability who will be unemployed through no fault of their own, who will be looking for employment, and who will be eligible for benefits.

In view of Montana's labor force of nearly two hundred thousand people in both covered and uncovered industries in the past year, it is not unreasonable that 1,110 individuals, at some time or another during the year, should have become unemployed and should have filed for benefits.

COMPARATIVE STATEMENT OF NET COLLECTIONS

Deposited with State Treasurer as Shown by Official Receipts

Month	Year—	1937	1938	1939	1940	1941	1942	1943	1944
January	\$	\$ 251,364.22	\$ 315,223.63	\$ 444,479.10	\$ 447,146.40	\$ 266,647.61	\$ 331,025.55	\$ 381,271.95	
February		48,167.62	423,670.65	238,815.12	302,370.25	51,559.23	568,640.68	472,532.89	
March		17,564.78	15,689.82	19,136.89	25,577.16	14,951.95	12,661.93	8,299.42	
First Quarter Totals		\$ 317,096.62	\$ 754,584.10	\$ 702,431.11	\$ 775,093.81	\$ 797,191.89	\$ 912,328.16	\$ 862,164.26	
April		\$ 233,383.58	\$ 389,209.54	\$ 391,038.88	\$ 198,298.82	\$ 300,195.44	\$ 651,773.79	\$ 338,924.24	
May		382,347.42	222,843.01	210,796.49	447,427.45	445,593.29	221,861.79	530,223.31	
June		11,115.21	16,762.85	17,289.78	23,016.95	18,568.92	7,425.85	7,152.79	
Second Quarter Totals		\$ 626,846.21	\$ 628,815.40	\$ 619,125.15	\$ 669,133.22	\$ 764,357.65	\$ 881,061.43	\$ 876,320.34	
July		\$ 138,326.80	\$ 309,412.65	\$ 281,512.77	\$ 427,319.08	\$ 212,698.24	\$ 527,406.69	\$ 302,611.81	\$ 618,428.87
August		924,020.40	309,714.78	414,497.55	232,310.51	499,234.95	264,146.41	580,552.99	273,400.77
September		208,822.72	11,959.70	19,417.01	12,137.09	15,927.04	14,769.78	9,464.29	7,116.75
Third Quarter Totals		\$ 1,271,169.92	\$ 631,087.13	\$ 715,427.33	\$ 671,766.68	\$ 727,860.23	\$ 806,322.88	\$ 892,629.09	\$ 899,086.39
October		\$ 131,208.72	\$ 410,672.30	\$ 366,688.30	\$ 244,885.85	\$ 393,830.82	\$ 318,755.97	\$ 347,022.16	\$ 361,251.05
November		245,979.75	248,234.70	261,995.56	467,419.60	374,030.73	607,029.34	540,036.47	515,394.43
December		149,143.47	8,935.39	18,635.57	16,351.91	26,845.55	12,180.94	10,236.72	
Fourth Quarter Totals		\$ 526,331.94	\$ 667,842.39	\$ 647,319.43	\$ 728,657.36	\$ 794,046.10	\$ 937,966.25	\$ 897,295.35	
Yearly Totals		\$ 1,797,501.86	\$ 2,242,872.35	\$ 2,746,146.26	\$ 2,721,980.30	\$ 2,966,133.36	\$ 3,305,838.67	\$ 3,583,314.03	
To R. R. Board		\$ -340,885.06	\$ -473,893.58	\$ -234,869.45					
Net Yearly Totals		\$ 1,456,616.80	\$ 1,768,978.77	\$ 2,511,276.81	\$ 2,721,980.30	\$ 2,966,133.36	\$ 3,305,838.67	\$ 3,583,314.03	
Total Net Collections									\$ 21,828,270.21

Number of Workers Employed Shows Decline

In spite of the fact that employer contributions have shown a marked increase, the actual number of workers employed in Montana during the past year has declined. The increase in contributions in the face of declining numbers employed may be explained by the fact that wages have been better in many lines and the employment has been more steady.

Below is a table showing receipts and disbursements for the fiscal year ending June 30, 1944:

Financial Statement July 1, 1943, to June 30, 1944

Balance in fund June 30, 1943	\$ 9,968,248.32
RECEIPTS FOR PERIOD:	
Contributions	\$ 3,523,980.39
Interest and Penalties	727.51
Interest on Fund	214,774.15
Total Income	3,739,482.05
Total receipts, plus balance	\$13,707,730.37
DISBURSEMENTS FOR PERIOD:	
Benefits Paid	\$ 88,212.00
Less Benefits Refunded	1,179.00
Net Benefits Paid	87,033.00
Balance in fund June 30, 1944	13,620,697.37

July 1, 1944, to October 31, 1944

RECEIPTS FOR PERIOD:	
Contributions, Int., & Penalties....	\$ 1,759,125.62
Interest on Fund	129,557.96
Total income for period	1,888,683.58
Total receipts, plus balance	15,509,380.95
DISBURSEMENTS FOR PERIOD:	
Benefits Paid	17,066.00
Less Benefits Refunded	255.00
Net Benefits Paid	16,811.00
BALANCE IN FUND OCTOBER 31, 1944	\$15,492,569.95

**Unemployment Compensation Trust Fund
Collections and Disbursements as of October 31, 1944**

COLLECTIONS

	Total to June 30, 1943	Collected During Period July 1, 1943, to June 30, 1944	Total to June 30, 1944
For Year 1936 (collected by Bureau of Internal Rev.) ..\$	539,593.54	\$	\$ 539,593.54
For Year 1937	1,827,039.59	222.33	1,827,261.92
For Year 1938	2,237,130.84	352.40	2,237,483.24
For Year 1939	2,463,768.26	1,286.89	2,465,055.15
For Year 1940	2,786,561.43	2,502.99	2,789,064.42
For Year 1941	2,964,047.38	4,683.31	2,968,730.69
For Year 1942	3,379,261.68	7,944.71	3,387,206.39
For Year 1943	863,917.53	2,640,313.54	3,504,231.07
For Year 1944		866,674.22	866,674.22

Total Contributions Collected\$20,585,300.64

Interest on fund\$ 893,673.95

Employer penalties
and interest 7,024.88
Outstanding
Benefit checks 1,913.00

902,611.83

Total Net Income\$21,487,912.47

Benefits paid (July 1, 1939, to June 30, 1944) 7,867,215.10

Fund balances as of June 30, 1944 13,620,697.37
Collections June 30, 1944, to October 31, 1944 1,759,125.62
Interest on fund received during above period 129,557.96

15,509,380.95
Net benefits paid during above period 16,811.00

Fund balance, October 31, 1944\$15,492,569.95

Total gross income to October 31, 1944, amounted to \$24,-
562,700.11. This included \$1,186,104.06 collected from railroads
in the first years of operations and later transferred to the Rail-
road Retirement Board. Interest received on the Trust Fund by
October 31, 1944, amounted to \$1,023,195.91 and benefit payments
to that date totalled \$7,884,026.10.

NUMBER OF INITIAL BENEFIT CLAIMS RECEIVED BY MONTHS

Fifth Fiscal Year of Benefit Payments July 1, 1943 to June 30, 1944

	Original and New Claims	Additional Claims	Total
July, 1943	73	1	74
August	31	4	35
September	38	1	39
October	35	3	38
November	28	1	29
December	51	2	53
January, 1944	288	32	320
February	264	19	283
March	154	34	188
April	106	20	126
May	54	25	79
June	49	21	70
Total	1,171	163	1,334

Comparison:

1943-1944	1,171	163	1,334
1942-1943	1,390	794	3,432

Supplementary:

Initial Claims received in sixth (current) fiscal year
July 1, 1944 to October 31, 1944—

July, 1944	73	13	88
August	49	15	64
September	49	32	81
October	47	19	66
Total	218	79	297

**DISPOSITION OF NEW AND CONTINUED CLAIMS AND NUMBER AND AMOUNT
OF BENEFIT PAYMENTS BY MONTHS**

July 1, 1943 to June 30, 1944

Disposition of New Claims			Disposition of Continued Claims			Number and Amount of Benefit Payments				
Number of Claims Allowed	Number Claims	Total New Claims	Ineligible or Void Claims Number	Waiting Period Claims Number	Compensated Claims Number	Continued Claims Number	First Payments Total	Total Number Payments	Total Amount Payments	
July, 1943	59	11	70	33	34	413	39	10	\$ 3,454	
August	32	11	43	27	19	349	31	15	\$ 3,651	
September	27	10	37	3	10	219	232	12	2,404	
October	27	8	35	17	13	178	208	23	1,941	
November	34	13	47	13	25	190	228	19	2,197	
December	77	6	83	7	50	264	321	45	3,254	
January, 1944	259	3	262	18	21	484	523	97	5,959	
February	198	11	209	35	110	921	1,066	167	11,360	
March	223	18	241	49	89	1,575	1,713	201	20,042	
April	92	14	106	37	51	1,274	1,362	84	16,039	
May	46	9	55	38	16	900	954	48	10,958	
June	36	9	45	18	9	575	602	28	6,953	
Total	1,110	123	1,233	295	452	7,270	8,017	193	\$88,212	
Supplementary: Sixth (current) fiscal year of benefit payments—										
July, 1944	59	15	74	17	22	375	414	32	\$ 4,453	
August	45	8	53	20	28	370	418	41	4,397	
September	43	5	48	19	6	310	335	28	3,674	
October	41	5	46	19	16	310	345	30	3,775	
Total	188	33	221	75	72	1,365	1,512	131	\$16,299	

**AMOUNT OF INTRASTATE AND INTERSTATE
PAYMENTS BY MONTHS**

	Intrastate Benefit Payments	Percent of Total Payments	Interstate Benefit Payments	Percent of Total Payments	Total Benefit Payments
July, 1943	\$ 2,847		\$ 607		\$ 3,454
August	2,921		730		3,651
September	1,871		533		2,404
October	1,662		284		1,946
November	2,002		200		2,202
December	2,853		406		3,259
January, 1944 ..	5,219		740		5,959
February	10,382		977		11,359
March	18,505		1,532		20,037
April	15,096		938		16,034
May	10,194		762		10,956
June	6,513		438		6,951
Total	80,065	90.8%	\$ 8,147	9.2%	\$ 88,212

Comparison:

1942-1943	161,771	87.0%	24,276	13.0%	186,047
1943-1944	80,041	90.8%	8,147	9.2%	88,212

Supplementary:

July, 1944	4,068		385		4,453
August	3,847		550		4,397
September	3,203		471		3,674
October	3,326		449		3,775
Total	14,444	88.6%	1,855	11.4%	16,299

**AVERAGE MONTHLY EMPLOYMENT OF WORKERS COVERED
BY STATE UNEMPLOYMENT COMPENSATION LAWS
IN MONTANA AND NEIGHBORING STATES**

State	1938	1939	1940	1941	1942	1943
Colorado	122,242	129,565	133,464	149,115	185,734	172,692
Idaho	54,372	59,935	63,413	69,553	77,922	69,092
Montana	62,709	68,300	73,843	77,192	78,464	74,291
N. Dakota....	25,741	26,174	27,381	29,733	28,641	28,550
Oregon	133,949	154,063	192,128	232,395	285,209	320,590
Utah	67,430	72,701	80,348	90,869	116,232	121,958
Washington..	246,809	264,331	294,323	391,426	508,822	567,091
Wyoming	33,089	34,009	34,996	38,140	38,363	38,183

INTERSTATE CLAIMS BY MONTHS

(Claims Submitted by Unemployed Montana Workers Through
Other States)

For Period July 1, 1943, to June 30, 1944

	Initial Claims	Continued Claims
July, 1943	9	85
August	3	79
September	11	51
October	7	36
November	7	14
December	14	59
January, 1944	39	85
February	21	135
March	7	149
April	11	91
May	5	70
June	6	45
Total	140	899

Comparison:

1942-1943	351	3,304
1943-1944	140	899

Supplementary:

July, 1944	13	49
August	10	76
September	5	45
October	4	59
Total	32	229

INTERSTATE BENEFIT PAYMENTS BY STATES

(Benefit Payments on Claims Submitted by Unemployed Montana
Workers Through Other States)

	No. of Pay. 1942 to 1943	Amt. of Pay. 1942 to 1943	No. of Pay. 1943 to 1944	Amt. of Pay. 1943 to 1944
Alabama	1	\$ 15	.....	\$ .....
Arizona	28	368	16	240
Arkansas	3	19	.....	.....
California	256	2,656	55	708
Colorado	79	1,093	50	569
Florida	13	185	.....	.....
Georgia	1	11	.....	.....
Idaho	142	1,704	32	404
Illinois	69	902	11	128
Indiana	1	14	16	144
Iowa	14	143	4	52
Kansas	29	384	17	166
Kentucky	10	82	10	70
Louisiana	5	46	5	30
Michigan	60	752	9	135
Minnesota	422	5,059	188	2,229
Mississippi	1	11	10	110
Missouri	65	857	6	48
Nebraska	42	436	7	42
Nevada	26	272	.....	.....
New Jersey	16	150	.....	.....
New Mexico	5	70	5	65
North Carolina	1	15	.....	.....
North Dakota	180	2,112	23	345
Ohio	4	32	.....	.....
Oklahoma	38	318	32	365
Oregon	59	649	45	629
Pennsylvania	9	135	4	60
South Dakota	58	645	14	210
Tennessee .....	.....	.....	9	24
Texas	93	875	89	1,023
Utah	25	275	2	22
Vermont .....	.....	.....	1	13
Virginia	10	140	6	90
Washington	311	3,051	17	226
Wisconsin	33	409	.....	.....
Wyoming	36	358	16	190
District of Columbia...	3	33	.....	.....
Total	2,148	\$24,276	638	\$ 8,147

**NUMBER AND AMOUNT OF BENEFIT PAYMENTS,
BY COUNTIES**

(Payments Mailed to Addresses of Claimants in Respective Counties)

July 1, 1943 to June 30, 1944

County	No. of Payments 1943-1944	Amt. of Payments 1943-1944
Beaverhead	133	\$ 1,335
Big Horn	63	687
Blaine	82	1,196
Broadwater	27	332
Carbon	212	2,823
Carter	16	240
Cascade	362	4,131
Chouteau	5	60
Custer	88	944
Daniels	2	23
Dawson	1	15
Deer Lodge	110	1,116
Fallon	16	144
Fergus	1	14
Flathead	588	6,905
Gallatin	188	2,041
Garfield	4	43
Glacier	86	1,146
Golden Valley	4	60
Granite	8	160
Hill	80	856
Jefferson	16	112
Judith Basin	4	60
Lake	344	3,169
Lewis and Clark	232	3,201
Liberty	1	15
Lincoln	59	575
Madison	78	837
McCone	13	142
Meagher	17	117
Mineral	16	128
Missoula	377	5,092
Musselshell	30	150
Park	102	872
Petroleum	1	15
Phillips	41	410
Pondera	6	30
Powell	16	224
Ravalli	269	1,845
Richland	77	929
Roosevelt	16	166
Rosebud	24	296
Sanders	7	56
Sheridan	4	52
Silver Bow	2,348	32,112
Stillwater	28	435
Teton	84	518
Toole	34	380
Treasure	1	15
Valley	54	666
Yellowstone	257	3,175
Total	6,632	\$80,065

PERSONNEL

Judging from reports from other states and from other governmental departments within the State, this Commission has been fortunate in being able to maintain a staff of experienced personnel during the war period. During the past two years many good people have left the Commission to enter the armed services or to take jobs elsewhere. To a large extent, resulting vacancies have not been refilled because the decreased work load has permitted the Commission to operate efficiently with a reduced force.

Two-thirds of the present employees have served the Commission continuously for more than three years and most of the department heads have served since shortly after the Commission was established. Thus, employees remaining form a trained and experienced group capable of performing present duties and constitute a sound foundation upon which to expand when the work load increases, as it may be expected to do after the war.

Because fewer people are drawing unemployment compensation, the work of processing claims and making payments has been reduced to a minimum. However, the work of the Claims and Benefits section has not been reduced in direct proportion to the reduction in claims. In the face of vastly multiplied work opportunities and the widespread need for workers, each claim for benefits now deserves and gets closer scrutiny and more thorough investigation than was feasible or necessary when workers outnumbered jobs. Each claim rightly takes more time to handle. Then, too, processing of benefit claims is not the only work done by the Commission. The work involved in collecting contributions and accounting for them and in the general administration of the affairs of the Commission is not much less than in previous years.

In December, 1944, there are 39 persons working full time for the Commission. In December, 1943, there were 45 and in December, 1942, there were 55. The 39 presently employed include five employed in the Research and Statistics section, which was transferred to the Commission during the past year. Formerly this work was done by the employment service. In December, 1941, there were 63 regular full-time, five temporary full-time, and four part-time employees of the Commission.

Employees are selected and serve under merit system rules adopted by the Commission at the direction of the Social Security Board, which allots the funds for salary payments. These rules are approved by the Board. New employees are selected from lists of qualified applicants provided by the State Merit System

Council, which serves the State Board of Health and the Montana Welfare Department in addition to this Commission.

In compliance with regulations of the Social Security Board, the Commission has adopted job classifications for positions with the Commission and has adopted a compensation schedule for its personnel. Both the job classifications and compensation schedules have been approved by the Merit System Council, the Social Security Board and the State Board of Examiners as required.

Specified funds are granted by the Board to provide for salary increases allowed under the regulations.

Salary increases are made on a merit basis by steps provided in the compensation plan. New employees are inducted at the lowest rate.

By virtue of length and merit of service, 22 persons at present on the Commission payroll have reached the maximum salary applicable to their respective positions.

COMPENSATION PLAN

Position	Salary Range				
	1	2	3	4	5
Chairman	\$400.00	\$416.66	\$433.33	\$450.00	\$466.66
Director	330.00	340.00	350.00	365.00	380.00
Attorney	280.00	290.00	300.00	315.00	330.00
Informational Represent..	250.00	260.00	270.00	285.00	300.00
Chief Field Advisor	230.00	240.00	250.00	265.00	280.00
Field Advisor	190.00	200.00	210.00	220.00	230.00
Sup. Claims Examiner	200.00	210.00	220.00	230.00	240.00
Claims Examiner	160.00	170.00	180.00	190.00	200.00
Administrative Assistant..	200.00	210.00	220.00	230.00	240.00
Chief Accountant	250.00	260.00	270.00	285.00	300.00
Accountant	170.00	180.00	190.00	205.00	220.00
Senior Acc't Clerk	145.00	150.00	155.00	160.00	165.00
Inter. Acc't Clerk	130.00	135.00	140.00	145.00	150.00
Junior Acc't Clerk	120.00	125.00	130.00	135.00	140.00
Chief Clerk	160.00	170.00	180.00	190.00	200.00
Senior Clerk	145.00	150.00	155.00	160.00	165.00
Intermediate Clerk	130.00	135.00	140.00	145.00	150.00
Junior Clerk	120.00	125.00	130.00	135.00	140.00
Supervising File Clerk ...	130.00	135.00	140.00	145.00	150.00
File Clerk	120.00	125.00	130.00	135.00	140.00
Statistical Clerk	130.00	135.00	140.00	145.00	150.00
Secretary	150.00	155.00	160.00	165.00	170.00
Senior Stenographer	145.00	150.00	155.00	160.00	165.00
Intermediate Stenographer	130.00	135.00	140.00	145.00	150.00
Junior Stenographer	120.00	125.00	130.00	135.00	140.00
Bookkeeping Mch. Opr....	130.00	135.00	140.00	145.00	150.00
Key Punch Operator	120.00	125.00	130.00	135.00	140.00
Calculating Mch. Opr.....	120.00	125.00	130.00	135.00	140.00
Telephone Operator	120.00	125.00	130.00	135.00	140.00
Janitor	110.00	115.00	120.00	125.00	130.00
Senior Interviewer	150.00	160.00	170.00	180.00	190.00
Chief, Research & Stat....	225.00	235.00	245.00	260.00	275.00

During the fiscal year 1942-43, 44 employees left the service of the Commission and 28 new employees were hired. In the 1943-44 fiscal year, there were 19 employee separations and two additions. Since July 1, 1944, there have been three separations and five additions. Three of the latter were returning former employees.

Following is a list of the personnel of the Commission in December, 1944:

Name	Position	Monthly Salary	Legal Residence
Beaupre, Elaine	Bookkeeping Mch. Opr.	\$150.00	Helena
Beyer, Henry	Sr. Accounting Clerk	145.00	East Helena
Binko, Wesley E.	Field Advisor	230.00	Havre
Bourck, Oscar E.	Field Advisor	230.00	Butte
Briscoe, Edith	Intermediate Clerk	130.00	Helena
Bullock, Clifford	Field Advisor	210.00	Great Falls
Christiansen, Leslie O.	Chief Clerk	200.00	Boulder
Craighead, Barclay	Chairman	466.66	Missoula
DeVoir, Dorothy	Intermediate Stenographer	135.00	Billings
Dorrington, Lichfield	Senior Interviewer	190.00	Billings
Dunstan, Thomas	Senior Interviewer	160.00	Butte
Guilbault, Charles P.	Supvg. Claims Examiner	240.00	Helena
Hall, Eula May	Junior Clerk	120.00	Helena
Hamilton, Gail	Junior Clerk	135.00	Helena
Hammans, Jacquelyn	Junior Stenographer	120.00	Livingston
Handel, Marjorie	Intermediate Clerk	150.00	Sheridan
Holloman, Elsie	Senior Clerk	165.00	Missoula
Jacobson, Arthur C.	Field Advisor	230.00	Missoula
Jensen, Julia	Intermediate Stenographer	150.00	Ekalaka
Jones, Ann B.	Bookkeeping Mch. Opr.	150.00	Dodson
Kabalin, Valencia	Junior Stenographer	120.00	Helena
Kedzie, Malcolm K.	Senior Interviewer	190.00	Great Falls
Lane, Louis L., Sr.	Field Advisor	230.00	Billings
Lofgren, Everett E.	Attorney	330.00	Billings
Lutey, John	Janitor	130.00	Helena
Manning, Grace	Intermediate Stenographer	150.00	Kalispell
Meldrum, Helen K.	Intermediate Stenographer	150.00	Helena
Murphy, Michael A.	Chief, Research & Stat.	225.00	Anaconda
Nelson, Hope K.	Intermediate Clerk	140.00	East Helena
Radonich, Catherine	Junior Stenographer	120.00	Anaconda
Schmidt, Herman J.	Junior Clerk	130.00	Helena
Streedebeck, Charles	Junior Clerk	130.00	Helena
Stewart, Carroll M.	Chief Accountant	300.00	Missoula
Stewart, Dorothy	Secretary	170.00	Billings
Stewart, James H.	Chief Field Advisor	280.00	White S. Sp.
Townsend, Joseph B.	Director	350.00	Missoula
Wallin, Sam C. F.	Field Advisor	230.00	Whitefish
Walsh, A. D.	Accountant	170.00	Helena
Webb, Percy G.	Claims Examiner	160.00	Helena
Provisional:			
Hunter, Frank B.	Janitor (U. S. Employment Service)	115.00	Helena

APPENDIX

DEMOCRATIC PRESIDENTIAL CANDIDATE ON SOCIAL SECURITY

Taken from President Franklin D. Roosevelt's address given at Soldier Field, Chicago, on October 28, 1944:

"Last January, in my message to the Congress on the state of the Union, I outlined an economic bill of rights on which 'a new basis of security and prosperity can be established for all—regardless of station, race or creed.'

"I repeat them now:

"The right of a useful and remunerative job in the industries or shops or farms or mines of the nation:

"The right to earn enough to provide adequate food and clothing and recreation;

"The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

"The right of every business man, large or small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

"The right of every family to a decent home;

"The right to adequate medical care and the opportunity to achieve and enjoy good health;

"The right to adequate protection from the economic fears of old age, sickness, accident and unemployment;

"The right to a good education.

"All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being."

REPUBLICAN PRESIDENTIAL CANDIDATE ON SOCIAL SECURITY

In Governor Thomas E. Dewey's address at Buffalo, New York, on October 31, 1944, he offered the following:

"Proposal No. 3. Make our Social Security system available to every American and not to a selected part of our people. For nine long years, the New Deal has kept 20,000,000 Americans out of our old age pension system. The right of old age benefits has become a fundamental of our society. We can and must extend the system of old age benefits and social security to all our people and build a society strong enough to support it."

In his address given at Los Angeles, California, September 22, 1944, Governor Thomas E. Dewey offered the following program:

- "1. Expansion of old age and survivors' insurance to provide coverage for farmers, domestic workers, employes of non-profit enterprises, self-employed persons, government workers, domestic help, and members of the armed forces whose benefits would be reduced by their service.
- "2. Widening of unemployment insurance 'to include the groups which are now unprotected.'

- "3. Return of the employment service to the states and its merger with unemployment insurance agencies.
- "4. Development, in co-operation with 'our free and independent medical profession,' or a 'means for assurance of medical service to those of our citizens who need it and who cannot otherwise obtain it'.
- "5. Establishment by the states and local communities of an information service to tell veterans where to get jobs, how to get benefits under the GI bill and how to continue their education."

DEMOCRATIC NATIONAL PLATFORM ON SOCIAL SECURITY

The following is an excerpt taken from the Democratic Platform adopted at their National Convention held in Chicago, Illinois, in July, 1944:

"It (the Democratic Party) provided Social Security, including Old Age Pensions, Unemployment Insurance, security for the crippled and dependent children, and the blind. It established employment offices. . . . We pledge the continuance and improvements of these programs."

"We offer . . . the enactment of such additional humanitarian, labor, social, farm legislation as time and experience may require, including the amendment or appeal of any law enacted in recent years which has failed to accomplish its purpose."

REPUBLICAN NATIONAL PLATFORM ON SOCIAL SECURITY

The following is an excerpt taken from the Republican Platform adopted at their National Convention held in Chicago, Illinois, in June, 1944:

"We pledge our support of the following:

1. Extension of the existing old age insurance and unemployment insurance systems to all employees not already covered.
2. The return of the public employment-office system to the states at the earliest possible time, financed as before Pearl Harbor.
3. A careful study of federal-state programs for maternal and child health, dependent children, and assistance to the blind, with a view to strengthening these programs.
4. The continuation of these and other programs relating to health, and the stimulation by federal aid of state plans to make medical and hospital service available to those in need without disturbing doctor-patient relationship or socializing medicine."

Excerpts from U. S. SENATE REPORT (No. 539—Part 5)

by the

SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

June 23, 1944

The Unemployment-Compensation System

" . . . The system has been functioning in all of the States for about 8 years. There has been no serious criticism of the administration of

the State laws. So far as the committee can ascertain, they have worked satisfactorily and smoothly.

The Solvency of the State Funds

" . . . There seems little likelihood of these funds being exhausted, under existing law, unless unemployment reaches an unprecedented high over a long period.

Benefits Under State Laws

" . . . The various State laws provide for unemployment compensation payments of from 50 to 60 per cent of regular wages, up to maximum payments ranging from \$15 to \$22 per week and for periods ranging from 14 to 24 weeks. Those benefits, both as to amount and duration, have been steadily increasing, under State enactments for the past 6 or 7 years, and there is every prospect that the trend toward improvement will continue. . . .

Conclusions

"This committee has repeatedly recorded itself as being opposed to any action that expands or tends to expand Federal authority in fields where that authority is not essential. It feels that those functions which the States can perform as well or better than they can be performed by the Federal Government should be left to the States. It is opposed to any contrary action, either temporary or permanent. . . .

"In the case of some of the individual States, the committee feels that the benefits might well be made somewhat higher, but it does not feel that this insufficiency warrants a breaking down of the State systems by setting up a Federal standard. It points out, however, that more adequate State benefits would do much to weaken the argument for federalization of the State systems and the committee respectfully recommends that the States survey their situations in the light of the generally increased wage scales and in the light of the greatly increased reserve funds. . . .

"If developments prove that the unemployment compensation system as now constituted is inadequate to take care of any situation that may arise in the future, steps can then be taken to supplement it, but the integrity of that system should be preserved unless any proposed change is demonstrated to be imperative."

VIEWS OF SENATE POST-WAR COMMITTEE

The U. S. Senate Post-War Committee reports:

"In the case of some of the individual states, the committee feels that the benefits might well be made somewhat higher, but it does not feel that this insufficiency warrants a breaking down of the State systems by setting up a Federal standard. It points out, however, that more adequate State benefits would do much to weaken the argument for federalization of the State systems and the committee respectfully recommends that the States survey their situations in the light of the generally increased wage scales and in the light of the greatly increased reserve funds. . . .

"The Committee also feels that there should be brought under the State systems all classes of workers which, within the limits of administrative possibility, can be brought under them. . . .

"The Committee is in favor of extending coverage to employers of one or more, instead of eight or more, as at present. It also feels that it should be extended to maritime workers of private shipping companies. . . .

"If developments prove that the unemployment compensation system as now constituted is inadequate to take care of any situa-

tion that may arise in the future, steps can then be taken to supplement it, but the integrity of that system should be preserved unless any proposed change is demonstrated to be imperative."

The Postwar Committee of the National House of Representatives reports:

"Suggested improvements in State U. C. Laws.

Amount of weekly benefits. The chief criticism which has been made of present State plans is that they do not provide adequate benefits either in amount or duration. In spite of improvements which have been made in the last few years, the weekly benefits in a high percentage of cases will be less than 50 or 60 per cent of regular wages. This can be corrected by raising the maximum. A majority of states have raised the maximum benefits. Twenty-two States, however, still have the same maximum benefit of \$15 per week originally provided although wage levels have increased considerably in the meantime. Twenty-five of the State laws now have maximum benefits of \$18 or more, including nine with a maximum of \$20 and one with a maximum of \$22.

Duration of benefits. A serious limitation of a number of the State systems is the limited period for which the benefits are payable. While the duration of benefits has been increased in several States in the last few years and while a higher percentage of workers is eligible for the maximum duration than in normal years, the maximum duration is still 16 weeks in 28 states. Only 4 states have a maximum as high as 20 weeks, and 1 state has 24 weeks. For many workers, of course, the 16 weeks' benefits would be sufficient. For many other workers who will have to shift employment during the reconversion period, a more adequate protection would seem necessary.

Coverage. One defect of the present system is that too large a number of workers are excluded from it. Important groups which are not now covered are employees of firms with less than 8 workers, maritime workers and Federal employees. The employees of concerns hiring less than 8 workers are estimated as about 3,000,000. . . . Some states have already covered smaller firms. There is a general agreement that the plan should be extended to cover these workers, but unless the Federal unemployment insurance tax is extended to cover the employers of 1 or more it could not be expected that many States would take action. . . .

"The committee also feels that the unemployment compensation law should be extended to cover groups which are not now included such as Federal Government employees, maritime workers, and employees of concerns hiring less than eight workers.

"The committee strongly urges the State authorities to give immediate consideration to improving the state laws, particularly with respect to increasing the duration and level of benefits."

SOCIAL SECURITY BOARD RECOMMENDATIONS

November 10, 1944

To: ALL STATE EMPLOYMENT SECURITY AGENCIES

Recommendations for Improvement of State Unemployment Compensation Legislation

I am attaching herewith a copy of a statement on "Unemployment Compensation in the Reconversion Period." This statement represents the Social Security Board's recommendations concerning those important aspects of the unemployment compensation program which should be

given primary consideration by the State legislatures meeting in 1945 if the program is to make its maximum contribution in the reconversion period.

The meeting of the 1945 State legislative sessions will occur when the economy is already experiencing the effects of reconversion to peacetime production. Millions of workers will be laid off from jobs in war production and will have to seek work in civilian production. It will be a period of uncertainty and tension for workers, employers and the country.

I know of no better system for protecting workers during their periods of unemployment between jobs than unemployment compensation. The system can also help to provide private enterprise with that economic setting so essential to its success. It can provide the community with assurance that other more costly and less desirable programs will not be needed. Properly strengthened and expanded, unemployment compensation should provide a genuine first line of defense for workers, employers and the country at large in the difficult period ahead.

I am hopeful that all of us who have some responsibility for the administration of this program will begin preparations immediately for needed changes in the laws and bend every effort toward assuring provision for a stronger and more effective system of unemployment compensation in the country.

Sincerely yours,

ARTHUR J. ALTMEYER, Chairman.

UNEMPLOYMENT COMPENSATION IN THE RECONVERSION PERIOD

Recommendations by the Social Security Board

After 7 months of Congressional consideration of reconversion problems by five important committees, Congress has decided that the major responsibility for unemployment compensation during the reconversion period rests with the States. In making its decision the Congress was impressed by the testimony of many State administrators and governors. What is equally important is that unemployment compensation became front page news. During the summer months hardly a day passed without long reports concerning unemployment compensation and reconversion appearing prominently in all the large metropolitan newspapers and in many others. There seemed general agreement among business, labor, Government interests and the press on the major role that unemployment compensation was to play in the reconversion period. The differences arose about methods of accomplishing that single purpose.

The Senate Special Committee on Post-War Economic Policy and Planning in reporting on "Changes in the Unemployment Compensation System" on June 23, 1944, stated:

"In the case of some of the individual States, the Committee feels that the benefits might well be somewhat higher. . . . It points out, however, that more adequate State benefits would do much to weaken the argument for federalization of the State systems and the Committee respectfully recommends that the States survey their situations in the light of the generally increased wage scales and in the light of the greatly increased reserve fund.

"The evidence before the Committee leaves little doubt of the adequacy of unemployment compensation funds to meet any possible drain on them. . . .

"The Committee also feels that there should be brought under the State systems all classes of workers which, within the limits of administrative possibility can be brought under them.

"If developments prove that the unemployment compensation system as now constituted is inadequate to take care of any situation that may arise in the future, steps can then be taken to supplement it, but the integrity of that system should be preserved unless any proposed change is demonstrated to be imperative."

Senator George, reporting on S.2051 for the Committee on Finance on August 3, and Mr. Doughton, reporting for the Ways and Means Committee on August 21, concurred in the conclusions of the Special Senate Post-War Committee.

The House Special Committee on Post-War Economic Policy and Planning in its third report issued August 14, 1944, stated:

"The Committee believes that 'unemployment compensation' is the principal means of protection which the Government can provide for the unemployed worker.

"A study of the provisions of the several State laws, however, indicates that if adequate protection is to be provided, there should be increases in the duration of benefits and in the weekly amounts in most States. . . . The Committee strongly urges the State authorities to give immediate consideration to improving the State laws, particularly with respect to increasing the duration and level of benefits.

"The Committee also feels that the unemployment compensation law should be extended to cover groups which are not now included such as Federal Government employees, maritime workers and employees of concerns having less than eight workers."

The 1945 State legislative sessions will thus be of historic importance, for they will come at a time when fighting on the European front will probably have ceased or be approaching an end and when curtailment of war contracts will have already begun on a large scale. The economic problems of the next few years have been foreshadowed by the tremendous impact the war has had on our economy. Since 1940 our Nation has almost doubled the amount of goods and services produced annually. The tremendous industrial expansion necessary to do this job was accomplished by the greatest mobilization of human resources in the history of our country. Our labor force, including the armed forces, totaled about 57 million in July, 1940; by July, 1944, 66.6 million people were available for civilian or military work. This rapid growth in the labor force includes roughly 7 million "emergency workers"—individuals who ordinarily would be housewives, students, or in retirement—who have been drawn into employment. The armed forces grew from under 1 million in the middle of 1940 to over 11.5 million by the middle of 1944. Employment rose from 48 to 54 million over the 4-year period; absorption of the "emergency workers" and of most of the 8.5 million unemployed more than offset losses to the armed forces.

The war has caused not only over-all expansion, but also tremendous shifts in our labor force. Workers formerly employed in peace-time employment in automobile production, in the services and trades went into war production. They migrated from the interior toward the coastal and Great Lakes' States. Figures on employment expansion in individual industries show the magnitude of the change that has taken place in our economy. Factory employment in aircraft construction was 17 times greater in the spring of 1944 than in 1939; 14.5 times as many employees were engaged in shipbuilding; almost three times as many workers were making electrical machinery and more than twice as many were making other types of machinery. These industries, and others, face sharp curtailments when war-time needs diminish.

The immediate future, whether it brings with it defeat of one or both of the Axis members, will usher in a period of vast reorganization. The problem of reconversion will be less difficult if the war ends in two stages. Even in this event, however, many individuals who helped us realize our astounding production levels will be thrown out of jobs. At the very best if reconversion is perfectly smooth, unhampered by any material shortages or hesitancy on the part of businessmen, many of these workers will be without work for short periods of time. Foreseeable difficulties in the reconversion process may increase the number and duration of their unemployment. As a result, the situation facing the State legislatures will be different from that faced at any time since the inception of the unemployment compensation program. Next year, for the first time, the State legislatures will be confronted with the prospect of rising unemployment and with a going unemployment compensation system. Changes made in the program then will be done in the light of expected post-war economic developments. It is not idle speculation to state that for the first time the individuals insured under the program will scrutinize the program differently from the way they did when the program was just starting or they did in the last few years when they were more than fully employed. They will be affected in this scrutiny by comparison with veterans readjustment allowances. In 1945, our program will have its first real test. In that year, the action of the State agencies and the State legislatures will indicate whether unemployment compensation is to play a major role in the reconversion period or whether other more drastic and less desirable measures will have to be taken.

In taking no action on the basic organizational structure of the Federal-State program, Congress has indicated that it was the responsibility of the States, and not the Federal Government, to provide adequate protection during reconversion to workers who become unemployed. What is probably more important is the extent to which all interests in the community are placing major emphasis on the unemployment compensation system to do that job. No better system exists to protect workers who are part of the labor market during their periods of unemployment between jobs than employment security—the public employment service and unemployment compensation. It is the function of that system to know where now jobs are developing, to direct unemployed workers to those jobs and if no suitable work is available for them, to pay them benefits until they are reemployed. If the system is to perform its necessary task, the benefits should be sufficient to permit unemployed workers to maintain themselves without recourse to other community resources and they should provide sufficient differential from the wages a worker receives when he is fully employed as not to retard the taking of work. They should be paid for a period long enough to tide the individual over temporary unemployment between jobs, to give the individual the assurance of security that is necessary if he is to continue his search for work and remain an employable member of the labor force. Yet the period should not be so long as to result in demoralization of the individual and the development of work-shy habits.

Because the unemployment compensation system provides for periodic payments of benefits to workers who are part of the labor market and expect to remain in the labor market during their periods of temporary unemployment, it offers a mechanism peculiarly sensitive to changing labor market conditions, and capable of affecting greatly the level of unemployment and employment in the country. For that reason, organized groups in the community will be far more interested in substantive changes in the system, once it is fully operating in a period of unemployment, than in any other social insurance system. It is no idle prophecy to say that workers will have as much at stake in a change in the major provisions of the law during the reconversion period as they had in wage stabilization policies during the war period.

Far-sighted employers will recognize in the system a means of maintaining purchasing power and employment at less personal cost than many other competing measures. Properly balanced, unemployment compensation should provide a bulwark to private enterprise that cannot readily be obtained in other ways. With benefits equal to a specified percentage of wages, unemployment compensation provides the basic flexibility that is needed without introducing rigidities into the economy or increasing the volume of unemployment in the country.

This is not to say that unemployment compensation should take the place of a well-developed plan of full employment, or that planning for the improvement of unemployment compensation is necessarily predicated on a defeatist philosophy. As the fourth report of the House Special Committee on Post-War Economic Policy and Planning, issued September 8, 1944, indicated—

"The goal of post-war economic policy is the creation of conditions favorable to the expansion of our peace-time production, so that the national labor forces will be gainfully employed and the national income will be adequate to sustain an active market for goods and services, with improved living conditions.

"For the attainment of post-war prosperity, we must look to the efforts of private enterprise, its management, and its labor force. The role of the government is essentially to provide the setting in which these efforts will have the best prospects of success. At the same time it is the obligation of the Government to take direct public measures for the protection of its citizens against the economic hazards which are unavoidable in a progressing economy that preserves freedom of private enterprise and individual opportunity—especially during the difficult period of transition from production for war to production for peace."

In the tasks that lie ahead, it will be the responsibility of the States, as expressed not only by Congress but by representatives of the States themselves, to make the unemployment compensation program effective in the post-war period, effective for unemployed workers, for private enterprise, and for the community in general. The coverage of the laws should be extended to many workers not now included under unemployment compensation. Benefit rates must be increased in order to reflect the rise in weekly wages. Duration of benefits should be lengthened in order to lessen the possibility that, during the reconversion period, workers will exhaust benefits before they are reemployed. The disqualification provisions need amendment in order that they not continue to nullify the purpose of the program which is to compensate for involuntary unemployment. Consideration should be given to the payment of benefits to persons who have worked in covered employment and who, upon becoming unemployed, undertake training which will enhance their opportunity for employment. Administration should be simplified in order to expedite the payment of benefits, reduce the difficulties of employer reporting, increase the understanding of workers and reduce administrative expenses. Finally, there needs to be a closer relationship between the administrative agencies and the beneficiaries of the program—workers, employers, and the public—if it is to continue to develop and meet the needs of the community.

This year more than ever before the changes that will come up for consideration at the State legislative sessions will be changes that involve the substantive provisions of State laws, and not merely technical changes to clarify provisions or remove inconsistencies. These substantive changes will affect the beneficiaries of the program for they will determine who will be eligible for benefits and under what conditions, what benefits they will receive, and for how long. They will affect the employers contributing to the system for they will determine the

tax rates that employers pay directly as well as the economic setting, so basic to the future of private enterprise. They will affect the community at large in determining the need for other measures to protect its citizens against the hazards of unemployment. It would be well for every State agency to discuss its legislative proposals with its advisory council, since these proposals will be matters of public policy and need public support and public understanding.

Coverage

There is now general agreement that unemployment compensation needs to be extended to many groups not now included in the system. State agencies should review carefully the degree to which existing unemployment compensation coverage can be extended. They should compare the size of firm exclusions under their workmen's compensation laws to see whether unemployment compensation coverage is more limited. Attention should be centered on the proportion of gainfully employed wage and salaried workers now included under the unemployment compensation system and the significance of the excluded groups in the State economy.

Although the employed workers covered by State unemployment compensation laws increased from 20 million in 1938 to nearly 31 million in September 1943, many workers are still not included under any unemployment compensation law. Among the more important groups still not covered are employees of small firms, maritime workers, government employees, agricultural labor, and workers of non-profit institutions. While the States can extend coverage to many of these groups without Congressional action, some of the groups, such as Federal workers, cannot be covered by a Federal system or included under the State system without specific Congressional authorization. State and local governmental employees, however, should be included by any State able to do so. Because of the particular employment characteristics of the maritime industry, a Federal system seems more appropriate for this group.

Three million workers are still without coverage because they work for small employers. While workers employed by these small firms have generally not had the same increase in wages as those employed by large firms, many of them, also, will lose their jobs in the post-war reconversion period, either because a returning veteran has a prior right to the job or because of the difficulties that the small businessman is likely to face in this period. The job of covering employers of one or more has already been accomplished by the Old-Age and Survivors Insurance system and by 13 State unemployment compensation systems. This need be no great administrative burden on employers since they are already reporting under the old-age and survivors insurance program.

Another large group of workers not now protected by unemployment compensation laws are agricultural workers. In their search for new jobs, they, too, need the type of protection offered by an unemployment compensation program. Every State which feels capable of doing so, should extend coverage to agricultural labor; if the administrative task of including all agricultural labor is too great at this time, at a minimum, workers on industrialized farms should be included. The work on such farms is in many ways similar to work in manufacturing establishments. The administrative task of including these workers under an unemployment compensation program should create no difficult problem.

Weekly Benefit Amount

- Although the average weekly benefit amount for total unemployment rose from \$10.66 in 1939 to \$13.84 in 1943, and \$15.87 in the second

quarter of 1944, it has not kept pace with the rise in weekly wages. This is primarily because of low maximum benefit amounts in State laws. At the present time, 22 State laws still contain a \$15 maximum and in only one State is it more than \$20. The low maximum benefit amounts have had the effect of reducing benefits to a large proportion of claimants to something far less than 50 per cent of weekly wages, the general level for other eligible workers. In 1943, 44 per cent of all benefit payments for total unemployment were at the maximum specified in the State law. In 9 States, more than 60 per cent of the payments were at the maximum. All four States paying 72-85 per cent at the maximum specified a maximum of \$15. State agencies might well examine the proportion of payments being made at the maximum. If that proportion is high, the maximum weekly benefit amount has been set too low to reflect local wages. Estimates that have been made indicate that on the average workers eligible for the maximum amount receive only about 25-30 per cent of previous earnings; for some high-paid workers, the percentage would be nearer 15-20 per cent. Benefits at such rates constitute meager compensation for wage loss and run the danger of being too low to carry the individual through his period of unemployment without drawing on other community resources.

With benefits fixed as a percentage of wages, the maximum weekly benefit amount might well be raised to \$25. Raising the maximum benefit would not result in having some workers eligible for more in benefits than they receive in wages while working, but would result in having many more high-paid workers receive in benefits the same proportion of wages as low-wage workers now do. It will therefore not deter individuals from taking suitable work. Increasing the maximum benefit amount will not only be more equitable, by increasing the proportion of workers who will be compensated for something like half their wage loss, but will also be a recognition of the increased cost of living (particularly for the family man who is generally the best wage-earner) and will give much greater assurance that the unemployment benefit will be sufficient to enable him to get along without drawing on other community resources until opportunity comes for reemployment. It will also ensure a better adjustment to local wage levels, especially in the high wage States. At the present time, maximum benefits are higher in Georgia and Louisiana than in Ohio and Oregon, yet average earnings in 3rd quarter of 1943 were \$27.82 in Georgia, \$33.69 in Louisiana, \$45.55 in Ohio, and \$46.96 in Oregon. Certainly these provisions do not reflect adjustments to local conditions. Of the 16 States with average weekly wages above \$40 in the 3rd quarter of 1943, three have maximum benefits of \$15, two of \$16, five of \$18, five of \$20, and one of \$22.

Another way of adjusting benefits to meet the needs of this period would be to relate benefits not only to past earnings but to the claimant's dependents. Since size of family is one of the basic sources of insecurity, benefits during unemployment might well reflect this fact. Seven State workmen's accident compensation laws provide dependents allowances for temporary unemployment due to industrial injury. Dependents allowances are simply a method of obtaining maximum utilization of available funds at a minimum cost. If the States do not wish to include provision for dependents allowances, however, but wish to raise the level of benefits, the simplest thing to do would be to raise the maximum weekly benefit amount for all persons.

Duration of Benefits

There is general agreement that in the reconversion period, primary reliance is to be placed on unemployment compensation to protect workers when they are unemployed and able and available for work. Yet, in 1941, a year of relatively good employment, 50 per cent of the eligible workers exhausted their benefit rights before they were reemployed. It would be well to examine the experience of workers in each State

and see how many workers exhausted benefits in previous years of relatively good employment. Such an analysis should indicate how strong a first line of defense each law has erected for the reconversion period.

There are, however, honest differences of opinion on the length of the period for which benefits should be paid. There is no categorical answer to this question. The duration of the benefits should be long enough to tide the worker over this temporary readjustment period. If the readjustment period takes on the aspects of a depression, and workers remain continuously unemployed with little chance of reemployment, mere extension of benefits will not serve the desired purpose. While no one knows how long the reconversion will take, there is no question but that 16 weeks of benefits is not long enough to tide workers over this period, yet only 23 States provide duration of benefits longer than that; no State provides duration of benefits of 26 weeks. These variations in duration of benefits in the State laws are not adjustments to local conditions; Alabama provides a maximum of 20 weeks of benefits, and Kansas and Washington only 16, under a similar formula. Duration of benefits is longer in New York than in Pennsylvania or Illinois. Certainly 26 weeks duration is not too long to give workers the needed assurance that unemployment compensation will tide them over this period. Nor is it so long as to demoralize the individual and make him work-shy. Mere extension of potential duration of benefits will not automatically provide benefits for longer duration; workers who refuse suitable work will still be disqualified from receiving benefits. Twenty-six weeks of benefits should go a long way toward giving the worker, business, and the community the assurance that unemployment compensation is performing its allotted task and that other measures will not be necessary for this period.

If we are to enter the reconversion period with the unemployment compensation system geared to handle adequately the unemployment problems with which we may be faced, it would be desirable to provide not only for substantial duration of benefits, but for duration of benefits which is uniform for all eligible claimants. In 36 States the duration of benefits is related to the amount of employment or earnings which the individual had in a previous period, with a specified maximum duration. The other 15 States have uniform duration of benefits for all claimants. Nor are the existence of variable and uniform duration of benefits an adjustment to local conditions. Georgia, Mississippi, and North Carolina provide uniform duration of benefits; Louisiana, Texas, Missouri, and Arkansas do not; New York and Ohio provide uniform duration; Maryland, Michigan, and Pennsylvania do not. Uniform duration of benefits is simple to understand, and treats all eligible workers within the State alike; consequently, it will go further to supply workers with that security which is needed and business and the community with a solid foundation upon which plans for economic prosperity must rest.

Disqualifications

One of the weakest features of existing laws is the disqualification provisions. The administration of these provisions, moreover, will be the most troublesome in the reconversion period. Workers will be changing jobs that they will have held for years. They may find newly acquired skills of little aid to them in a peace-time economy. Jobs will develop in localities far distant from the places in which they now live. Hours of work will change and with them the take-home pay. The entire labor market will be in a state of flux. These are the problems that will confront the administrator daily in his task of determining whether the individual is involuntarily unemployed and eligible for benefits. The need for simple disqualification provisions in the law, readily understood and acceptable by the public, will be more important than ever. It will be important, too, to have the appeals authorities

representative of the interested groups in the community—labor and management—in order that decisions be realistic and understandable and do not defeat the purpose of compensating for unemployment.

There is no place in the unemployment compensation program for imposing disqualifications for refusal of suitable work, voluntary leaving and discharge for misconduct solely for punitive purposes. Disqualifications properly should prevent the payment of benefits for voluntary unemployment but never completely bar payments to eligible individuals who are involuntarily unemployed, able, willing and available for work. Unemployment compensation should not be payable for periods of voluntary unemployment, but neither should it act to introduce rigidities in the system, or hinder the free mobility of labor, especially in this period. Disqualifications might well be limited to a suspension of benefits for the weeks, up to 4 or 5, which immediately follow the act for which the individual is disqualified. Such suspensions are sufficient to deter workers from voluntarily becoming unemployed and to bar the compensation of voluntary unemployment. Cancellations or reductions in benefit rights, on the other hand, nullify the duration provisions and prevent the compensation of involuntary unemployment. By so doing they withdraw insurance protection from both business and workers, and curtail the usefulness of unemployment compensation, particularly for the kind of economic period that is ahead. The administrators of the 28 State laws which contain provisions cancelling all or a part of a worker's benefit right for a disqualifying act might well examine the decisions being made in the light of future reconversion problems and acceptable public policy.

In addition, good cause for leaving a job should not be limited to causes "attributable to the employer"; recognition should also be given to good personal reasons. As long as the worker is available for work, good personal reasons for quitting a job are just as valid as reasons "attributable to employers." The administrators of the 20 State laws containing such provisions should examine the implications of decisions they must make on mobility of labor, economic freedom of the individual and compensation for involuntary unemployment. Disqualification provisions should not be used to prevent individuals from relocating in new communities or attempting to better themselves by trying for more desirable jobs.

Lastly, the special causes of disqualifications, such as disqualifications of women who get married or because of pregnancy, which have been written into many State statutes, should be removed or modified so that all such cases would be handled by State administrative action which appraises all the circumstances surrounding the individual case. While the elimination of such disqualifications from the statutes will increase the administrative burden on the State agencies, they will eliminate the inequitable treatment that now exists, and fulfill the function of compensating the bona fide unemployment of individuals who are in fact able, and willing to work, and available for work.

Payment of Benefits to Young People While Undertaking Training

At the present time, the State laws require that a claimant for unemployment compensation must, in order to be eligible for benefits, be available for work. In the administration of this condition, State administrative authorities most commonly find that claimants who are full-time attendants at educational institutions are not available for referral to work and consequently are not entitled to benefits. Therefore, claimants who might otherwise undertake special training or return to regular school because they have little likelihood of finding jobs with the skills they now have, may be deterred from doing so because benefits would be withheld for the weeks of school attendance. In the interest of promoting greater training in order to enhance op-

portunities for employment, States might give consideration to amending their laws or revising their administrative practices to permit the payment of benefits, if, though attending training, the individual is available for work and does not refuse suitable work without good cause. In such cases, the factors to be considered in determining whether the individual has good cause for refusing work should include consideration of whether the training will enable the individual to obtain work at a higher skill.

Administrative Simplifications

One of the primary concerns during this period should be the simplification of procedures to reduce reporting burdens on employers, to expedite payment, and to promote public understanding. It will be important that benefits not only be adequate but that they be paid promptly. Much has already been done, but there is ample room for continued improvement if the program is to maintain the confidence and understanding of the public. One of the procedures that might aid greatly in the expeditious payment of benefits would be payment at the local level. Four States are already doing this and other States have been studying similar plans. Employers, especially large inter-state employers, have complained about the burdens of variations in the forms used by State agencies for similar procedures—variations in reporting wages, and contributions, in low earnings reports and separations reports. Simplification of such reports and uniformity where possible can go a long way toward relieving employers of unnecessary burdens and creating public confidence.

Public understanding can also come if employers, workers, and the public are more actively concerned with the development of the program. They should be made aware of the problems as they arise in detailed form. There is no better way to begin to build up this proper understanding of these problems than by having appeal tribunals representative of labor and employers hear and decide the troublesome daily issues that will arise during this period. If administrative proposals for amendment of the law are discussed with the State advisory councils, there is no question but that such proposals as are endorsed will have greater public support.

Conclusion

It is fortunate that we can face the reconversion period with ample funds to do the job that lies ahead and with staff skilled in the administrative jobs that must be done. When the 1945 State legislative sessions convene, more than \$6 billion will probably have accumulated in the State unemployment funds. There seems general agreement that these funds are more than sufficient to withstand the reconversion period; that they are sufficient for a more adequate program in the immediate post-war period. For the few States that may run into difficulty, the provision for loans to the States incorporated in the George bill is one step forward in provision for financial security to the State funds. There is every reason, therefore, why the States should examine their unemployment compensation programs now and make such changes as are desirable. Despite any differences of opinion concerning the best way of making this program effective, we all know that improvements are necessary. An attempt has been made to outline those important aspects of the program which need primary attention. If these aspects are given attention now, the program will be in a far better position to make its maximum contribution in the post-war period.

**RESOLUTIONS ADOPTED BY THE GOVERNORS' CONFERENCE
Thirty-Sixth Annual Meeting, Hershey, Pa., May 31, 1944**

UNEMPLOYMENT COMPENSATION

WHEREAS during the past eight years all of the states, with increasing efficiency, have been administering their unemployment compensation laws in a manner satisfactory alike to those entitled to benefits and to their citizens generally; and

WHEREAS during this period the states have built up and accumulated large reserves totalling in the aggregate five and a half billion dollars; and

WHEREAS the efficiency of state administration of unemployment compensation and the funds thus accumulated constitute our largest and most important safeguard against post-war depression and unemployment:

THEREFORE BE IT RESOLVED:

1. That the Governor's Conference restates and reemphasizes its opposition to any and all efforts, including those now pending, on the part of federal institutions and agencies to centralize and federalize the administration of unemployment compensation; and
2. That the Executive Committee of the Governor's Conference be directed to take whatever steps it might deem necessary to see that the present method of state administration of unemployment compensation systems shall be maintained in full force and effect, and not either transferred to federal control directly, or indirectly hampered by federal subsidy provided in the name of some possible future emergency:

BE IT FURTHER RESOLVED that in order to be able to meet all post-war problems through the use of state unemployment compensation systems as now constituted, the states should consider action along the following lines:

1. Each state should make careful estimates of its probable post-war unemployment benefit payments, and of the solvency prospects of its unemployment fund;
2. Any state whose fund is in danger of post-war insolvency should take prompt steps to build more adequate reserves, through legislation requiring higher wartime contribution rates;
3. Each state should review the coverage and benefit provisions of its law, to determine their adequacy and with a view to making such improvements as are found desirable and practicable;
4. Each state should re-examine its statutory provisions and its administrative procedures with a view to assuring maximum speed and efficiency in paying benefits under the peak-load conditions of the post-war period;
5. Each state should participate fully in plans to solve interstate problems in the field of unemployment compensation through interstate cooperation, and should provide any legislative authorization needed for such cooperation; and
6. Each state should carefully consider the proper relation between its law and any federal program for veterans' demobilization allowances, and should provide such legislative authorization as may be indicated to permit full and proper state cooperation in relation to veterans' payments.

EMPLOYMENT OFFICES

WHEREAS in the grave crisis confronting these United States immediately following Pearl Harbor, the President asked the Governors of the several states to transfer their respective employment services to federal control in order to "utilize to the fullest possible extent all of the manpower and womanpower to increase the production of war materials;" and

WHEREAS in accordance with the President's request, the Governors, in a willing spirit of complete cooperation with the war effort, acted at once to effect such transfer of state property, records and personnel as was called for, although this involved a considerable sacrifice to state interests and to the efficient administration of other state programs, especially the employment security programs; and

WHEREAS it was the stated assumption of the Governors that this transfer was made as a temporary loan to be terminated with the passing of the emergency which prompted the President's request; and

WHEREAS the Congress of the United States has, in appropriations for the United States Employment Service, recognized that the employment service facilities of the states would be returned to them after the war emergency; and

WHEREAS it is generally agreed that as the present war approaches final conclusion there will be a general reduction of war production and likewise a gradual resumption of civilian production; and

WHEREAS following the period of maximum war production, the tremendous task of readjusting to civilian economy will make necessary state control of their employment services, unless they are to be seriously handicapped in:

1. Handling unemployment compensation claim loads, possibly of large proportions, which cannot feasibly and legally be done except through state control of the servicing of job orders and job placements;
2. Developmental planning to alleviate the impact of transitional unemployment, in which the states are now engaged; and

WHEREAS except possibly in a war emergency, when stringent federal controls over the labor market might be urged as necessary, state administration of the job placement function is more desirable since:

1. Local employers and workers will more completely give their voluntary cooperation, which is essential in any really effective job placement program;
2. It permits a better adaptation of policy and procedures to the widely varying industrial and labor conditions of the country, while making adequate provision for interstate job clearances;

THEREFORE BE IT RESOLVED that as soon as practicable, the employment services shall be immediately returned to their respective states;

BE IT FURTHER RESOLVED that the executive committee be and is directed to keep in close touch with this situation, and if between now and the next annual meeting it is the opinion of the Executive Committee that the time has arrived when it would be practicable for the employment services to be returned to the states, that the Executive Committee is hereby authorized and directed to so notify the President of the United States.

BE IT FURTHER RESOLVED that the Governors direct their employment security administrators to make such plans as are necessary for resuming control of employment service functions in their respective states at the time designated in this resolution.

COUNCIL OF STATE GOVERNMENTS RESOLUTION

The following is a Resolution passed by the Council of State Governments at the Western Conference on Postwar Problems and Legislation held September 29-30, 1944 in Salt Lake City, Utah, and represented by the following states: California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah and Wyoming:

"RESOLVED THAT the Western States along with other States insist on

- (A) Retention by the States of unemployment compensation and,
- (B) Return within six (6) months after cessation of war in the Pacific, of the employment services to the States."

AMERICAN LEGION OPPOSES FEDERALIZATION

The American Legion, at its 1944 National Convention in Chicago, again took a strong position on unemployment compensation.

The following excerpt is from a resolution which serves to guide the policies and activities of its Employment and Legislative Committees. They are instructed to:

"Urge the extension and improvement of unemployment coverage and benefits; oppose its federalization; support experience rating; continue to study methods of employment stabilization and insist that state funds be maintained to adequately protect the worker."

RESOLUTION ON DISABILITY INSURANCE

The following is a resolution adopted unanimously by the Interstate Conference of Employment Security Agencies at Louisville, Kentucky, October 22-23, 1943:

"WHEREAS, Further consideration should be given to strengthening Social Security protection by a survey of those fields which are not presently provided for in the program, and

"WHEREAS, It is generally recognized that the field of temporary disability benefits—namely, cash sickness (excluding occupational disease), accident (excluding industrial accidents), and maternity benefits is one to which primary attention should now be given, and

"WHEREAS, It appears that such protection can be most economically and effectively provided for and administered on a state basis, integrated with the present state unemployment compensation program;

"NOW, THEREFORE, BE IT RESOLVED, by the Interstate Conference of Employment Security Agencies that any such program of temporary disability benefits should be established and

operated on a State basis rather than a National basis, and be integrated with the Unemployment Compensation Program in the several states.

"BE IT FURTHER RESOLVED, That the Executive Committee is directed to continue its study of this problem and of related problems of Social Security Extension.

"BE IT FURTHER RESOLVED, That the Executive Committee call this matter to the attention of the Conference of Governors and take such further action as it may deem necessary or desirable to implement this resolution."

THE FUTURE OF BUTTE COPPER PRODUCTION

Apparently three major hazards make uncertain future unemployment compensation payments in Montana. They are: First, how many of the sixty thousand men and women in the armed services, and the thirty thousand civilians working in war plants outside Montana, will return and expect employment in this State? Secondly, the possibility of drouth, with its consequent effect upon business, and thirdly: The effect of the large surplus of copper upon the metal mining operations at the end of the war.

The first two possibilities are discussed in this Report. The following report discusses the future of Butte copper production:

By F. C. GILBERT,
Manpower Utilization Consultant

Copper ore production at the Butte mines in the future, as in the past, will doubtless continue to be closely related to the total national demand and supply of the metal or about 30 per cent of total United States production.

The existence of enormous military stocks of copper, chiefly in the form of alloys (brass and bronze) after the war, presents a serious problem.

If a policy of withholding or stock piling government-owned stocks or orderly marketing of surplus stocks is decided on by Congress, the outlook for consumption of about 850,000 tons of newly mined copper is considered favorable by the representatives of the copper industry and other authorities. On the basis of about 30 per cent of this production, a yearly production of about 255,000 tons may be forecasted for the Butte mines, which is somewhat below the 1937 production and considerably above the 1938 level. On account of increased costs, a price of over 12 cents per pound is necessary to maintain this production.

New Copper Production and Prices, 1929-1940

Production of new copper is largely dependent on copper prices, which in turn rise or fall with changes in the business cycle. As the price of copper dropped from a high of about 18 cents per pound in 1929 to a low of a little over six cents per pound in the years 1932 and 1933, United States production of new copper fell from over 1,000,000 tons to 225,000 tons. As prices rose from 1934 to 1940 to over 11 cents per pound, the production increased to a high of 909,000 tons in 1940. It is estimated that the mines of the country will be able to satisfy a demand of 850,000 to 900,000 tons per year, but increased costs suggest the need for a price higher than 12 cents.

Butte production has fluctuated from a high of 296,000 tons in 1929 to a low of 63,000 tons in 1934. The average proportion of Butte production in 12 years to total United States production was about 31 per cent. For year by year prices and production, see Table No. 1.

TABLE NUMBER 1

**Prices of Copper and Production of New Copper
in the United States and at Butte
1929-1940**

(Source—U. S. Bureau of Mines)

	Price per lb.	Total U. S. Smelter Output (thous. tons)	Butte Mines (thous tons)	Per cent of Total
1929	\$.182	1,002	296	30
1930 .....	.131	697	195	28
1931 .....	.082	522	184	35
1932 .....	.063	272	85	31
1933 .....	.064	225	65	29
1934 .....	.080	245	63	26
1935 .....	.083	382	154	40
1936 .....	.092	612	218	36
1937 .....	.121	835	288	35
1938 .....	.098	563	154	27
1939 .....	.104	713	195	27
1940 .....	.113	909	251	28
Average	\$.100	581	179	31

Production of Old Copper—1929-1940

Unlike most manufactures and many materials, copper does not corrode or deteriorate in any way. It cannot be burned up by fire or injured by cyclone or flood. However, there is some loss of copper by dissipation which occurs in the wear of journal bearings and of trolley wires, the sinkings of ships, etc. Again it is uneconomical to recover copper which passes into small articles or is mechanically combined with other substances.

Mr. W. R. Ingalls, Director of the American Bureau of Metal Statistics, estimated that in 1932 over 70 per cent of the copper was in use in our roofed buildings, in our public utilities, including communication and in our machinery for manufacturing. From 300,000 to 400,000 tons of copper per year or about 40 per cent of the total is returned to the market from railway journal bearings, motor vehicles, steamships, and underground cables.

This copper, therefore, comes into the market when it is replaced by new construction.

When the price of copper is low, the proportion of old copper may be as high as 60 per cent and over. The relationship of the proportion of old copper to the total produced, with copper prices is shown in Table No. 2.

TABLE NUMBER 2

Prices of Copper and Per Cent Old Copper Produced—1929-1940

Source—American Bureau of Metal Statistics and U. S. Bureau of Mines

	Price per lb.	Per cent old copper produced
1929 .....	.182	28
1930 .....	.131	29
1931 .....	.082	30
1932 .....	.063	37
1933 .....	.064	57
1934 .....	.080	69
1935 .....	.083	56
1936 .....	.092	39
1937 .....	.121	35
1938 .....	.098	39
1939 .....	.104	31
1940 .....	.113	25
Average.....	.100	40

War and Peacetime Uses of Copper

In wartime, copper is used for the manufacture of brass, an alloy of copper and zinc; for bronze, an alloy of copper and tin, as well as for electrical wires for the equipment of ships, tanks, and planes. It is estimated that the copper content of the brass required for ammunition alone is two-thirds of what the nation consumed for all purposes in 1929. 3,000 pounds of copper alloy is used to equip a flying fortress and 1,000 tons for a battleship.

Peacetime uses of copper are for electrical manufactures, such as generators, motors, and switchboards; for wire for transmission of light and power; telephone and telegraph wire, and wiring of industrial plants and private residences; for motor vehicles, refrigerators, bearings, railroad locomotives, and freight cars; for buses and street railways; for copper and brass pipe in private residences; for sundry uses, such as pumps, water heaters, oil burners, clocks, watches, and welding rods.

Substitution of Aluminum for Copper

Aluminum cable steel reinforced wire has been used, largely by the Rural Electrification Administration for high tension, long distance electrical transmission lines. In 1941, 28,000 tons of aluminum wire was installed. The Aluminum Company of America estimates that 40,000 tons annually, of aluminum will be used in high tension lines. However, aluminum has not competed with copper in lead covered cable and other wire used in building. In uses other than electrical and in copper alloys, aluminum has not become established as a substitute. During the war economies in the use of copper have been introduced in telephone and telegraph lines. In general, it is believed that aluminum competition with copper in the post war period will be no greater than before the war.

Other substitutes for copper, such as zinc die castings, and plastics, which have been used during the war, are considered of negligible importance in the postwar period.

Stocks of Copper

Stocks of copper on hand, January 1, 1944, were estimated by the American Bureau of Metal Statistics as about 900,000 tons, including

200,000 tons belonging to the Metals Reserve Company; stocks of blister at smelters, in transit, and in process at refineries and fabricating mills were normal operating stocks. By June 30, 1944, the Metals Reserve Company stocks had increased to 279,000 tons.

The immense postwar stock of copper, chiefly in the form of alloy, will be in the navy yards, arsenals, and ordnance plants, and the scrap that will be coming back from the battlefields. The total copper in military stocks may be as high as 2,000,000 tons or more. Whether this very large accumulation of alloyed copper will be dumped on the open market or held in reserve for another emergency is yet to be determined by Congress. In the following estimates of postwar copper production, it is assumed that this stock will be "locked up" and that the domestic demand for copper will be supplied by current mine and normal secondary copper production of about 40 per cent.

Postwar Consumption of Copper

Building—Assuming that postwar building will include the construction of 500,000 dwelling units per annum as well as repairs and renewals of old buildings with full reversion to copper and brass pipe for water service, the postwar demand of the building industry may be estimated at as high as 225,000 tons per year, a large increase over the pre-war period.

Motor Vehicles—The deficiencies in passenger cars and trucks will require a yearly output of over 4,000,000 cars and 750,000 trucks after full conversion of manufacturing plants is attained. A demand for 140,000 tons of copper is anticipated for the automotive industry, including motor buses, tractors, accessories and repair parts.

Refrigerators—An annual demand of 4,000,000 units is expected, which will require nearly 25,000 tons of copper for several years.

Mr. W. R. Ingalls, Director of the American Bureau of Metal Statistics, has estimated that yearly copper demand will approach the 1937 production figures of 1,129,000 tons of new and old copper or about 850,000 tons of new copper. This estimate is based on the assumption that (a) a rise in the general price level will occur, (b) a continuance of the 4-cent tariff on copper imports, and (c) there will be a "lock-up" of government-owned copper.

Surveys by companies who make and sell copper products indicate the use of refined copper in the first years after the war will run 1.1 million to 1.2 million tons annually (new and old copper).

One big brass products company interviewed 1,000 customers and found that copper use by brass mills will top 1937 by at least 30 per cent or about 520,000 to 560,000 tons.

Wire mills foresee a demand for 600,000 tons a year.

The brass mill and wire mill demand would seem conservatively indicated at 1,120,000 tons to 1,160,000 tons of refined metal.

Relation of Copper Prices to Total U. S. Production and Butte Production—1930-1939

During the period 1930 to 1939 copper prices and copper production had a very close relationship, both for the total U. S. production and for Butte production. Comparison of 1940 to 1943 has not been made as prices were more or less controlled beginning with 1940.

It will be noted from examination of Table No. 3 that the highest peace time production of copper in the United States and at Butte was reached in 1937 at 13.2 cents per pound.

The table and charts showing the calculated line of relationship between copper prices and production indicate that there is a closer agreement between prices and production in the United States as a whole than at Butte. This is further indicated by the coefficient of relationship of .88 for United States and .78 for Butte, the equation being considered a straight line.

The conclusions which may be made from the calculations are that full employment in the copper industry will probably not be accomplished with copper less than 13 cents a pound. With the prospect of somewhat higher labor and supplies cost, possibly 15 cents per pound for copper will be necessary.

TABLE NUMBER 3

**Relation of Copper Prices to Total U. S. Production
and Butte Production—1930-1939**

Year	Price per lb.	Total U. S. Production (thous. tons)	Butte Production (thous. tons)	Computed by Equation of Relationship	Difference— Actual and Computed	Computed by Equation of Relationship	Difference— Actual and Computed
1930 .....	.130	697	195	786	— 89	244	— 49
1931 .....	.081	522	184	408	+ 114	127	— 57
1932 .....	.056	272	85	200	+ 72	67	+ 18
1933 .....	.073	225	65	334	— 109	108	— 43
1934 .....	.084	245	63	421	— 176	134	— 71
1935 .....	.086	382	154	437	— 55	138	— 16
1936 .....	.095	612	218	508	+ 104	160	+ 58
1937 .....	.132	835	288	806	+ 29	248	+ 40
1938 .....	.100	563	154	549	+ 14	172	— 18
1939 .....	.110	713	195	637	+ 76	196	— 1
Yearly Av. .0947		506.6	160.1	507			
					Coefficient of correlation	Coefficient of correlation	
					.88	.78	

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The above public spirited citizens of Montana have worked generously and unselfishly with the Commission in the formulation of policies and in promoting public understanding of the objectives of unemployment compensation. The assistance of the council and its members is gratefully acknowledged.

